Distr.
GENERAL

IDB.27/SR.1
11 September 2003

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 26 August 2003, at 10 a.m.

Temporary President: Mr. HORVATH (Hungary)
President: Mr. GONZALEZ ANINAT (Chile)

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V.03-87684 (E)

The meeting was called to order at 10.25 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-seventh session of the Industrial Development Board.

2. *At the invitation of the Temporary President, the members of the Board observed a minute of silence in memory of the United Nations staff who had lost their lives in the bombing of the United Nations headquarters in Baghdad.*

3. **The TEMPORARY PRESIDENT** said that it had been an honour for him to preside over the twenty-fifth and twenty-sixth sessions of the Board, which had coincided with a period of increased stability for the Organization after four years of reform. He welcomed the trend towards alignment of the Organization's activities with global initiatives such as the establishment of the United Nations Millennium Development Goals. He also welcomed the efforts made by Member States and the Director-General to increase the Organization's relevance and improve its performance through, for example, the adoption at the twenty-sixth session of the strategic guidelines for the medium-term programme framework (MTPF). He was also pleased to note the participation of many Member States in the ongoing informal discussions on a number of issues and the guiding role played by the Director-General in that regard.

ELECTION OF OFFICERS

4. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. R. González Aninat (Chile) for the post of President; Mr. H. El-Laithy (Egypt), Mr. T. P. Sreenivasan (India) and Ms. M. Ramis-Plum (France) for the posts of Vice-President; and Mr. P. Poptchev (Bulgaria) for the post of Rapporteur.

5. *The candidates were elected by acclamation.*

6. *The President took the Chair.*

ADOPTION OF THE AGENDA (IDB.27/1 and Add.1; IDB.27/CRP.1)

7. *The provisional agenda (IDB.27/1) was adopted.*

STATEMENTS BY THE DIRECTOR-GENERAL AND MANAGING DIRECTORS

8. **Mr. MAGARIÑOS** (Director-General) congratulated the President and the other members of the Bureau on their election and expressed his gratitude to the departing President and Bureau for their constructive work. He also welcomed the Ministers from Burkina Faso, Côte d'Ivoire, Ghana and Sri Lanka and the Secretary for Industrial Policy and Promotion of India; their active participation would greatly benefit the Board's deliberations.

9. During the discussions at the nineteenth session of the Programme and Budget Committee, he had explained the relationship between the regular and operational budgets and voluntary contributions for technical cooperation activities, and elaborated on how the Organization had improved technical cooperation delivery. Analysis showed that the ratio between each dollar or euro approved under the regular and operational budgets and actual technical cooperation delivery, including support costs, had improved from 1.01 in 1994-1995 to 0.70 in 2002-2003. Furthermore, that ratio compared favourably with those of a number of other international organizations. However, the ratio needed to be further improved, and the only two options for achieving that end were to reduce the regular budget further or to increase voluntary contributions. He was pleased to note that the Programme and Budget Committee had decided against budget cuts and had recommended that the Board adopt the programme and budgets for 2004-2005 contained in document IDB.27/3. It was also gratifying that his Office had been entrusted with identifying possible savings and efficiency gains, without the need to produce a revised programme and budget document. He and his staff would continue their efforts to improve technical cooperation delivery in both quantitative and qualitative terms.

10. Technical cooperation delivery for the seven months up to the end of July 2003 had amounted to US$ 66.1 million, an increase of US$ 9.6 million compared with the same period in 2002 and the highest rate of delivery for several years. Thanks to the dedication of the Secretariat and Member States and the contributions received from donors, there was a good chance that the implementation target of US$ 90 million for the whole of 2003 would be reached. That would represent an increase of US$ 8.2 million compared with to 2002.

11. The improvement in the quality of technical cooperation programmes had led to an increase in voluntary contributions: net approvals from governmental funds had doubled since 1998, and net approvals from multilateral sources had also increased considerably over the same period. That was evidence of the donor community's renewed commitment to the work of UNIDO and the success of the reform of the Organization. However, additional funding would be required in order to increase the socio-economic impact of UNIDO activities at the field level, focus more closely on the least developed countries (LDCs) and enhance the Organization's contribution towards achieving the Millennium Development Goals. An informal consultative group, chaired by the

Ambassadors of India and Italy, in which all Member States were free to participate, had recently been established with a view to mobilizing additional funds for the Organization and enlarging its membership. The group had held its first meeting on 31 July 2003.

12. The financial and administrative performance of the Organization continued to be sound. The collection rate for assessed contributions as at 15 August 2003 had amounted to almost 90 per cent of total receivables, which meant that the record rate of 93.1 per cent achieved for the whole of 2002 might be equalled in 2003.

13. Turning to the question of human resources, he noted that more than 40 Professional and higher-level staff were due to leave the Organization through natural attrition in the coming few years. A concerted recruitment drive was under way to attract motivated staff of the highest calibre to a number of senior positions.

14. One of the first tasks carried out by the newly established Office of the Comptroller-General had been a review of the types of contract issued by UNIDO for staff appointed at Headquarters. In view of the current drive to speed up the selection and recruitment process and enhance its transparency, ensure uniformity of contractual status for all staff at Headquarters and improve staff career development, he had accepted the Comptroller-General's recommendation that no further contracts at Headquarters should be issued under the 200 series (the so-called "L contracts") or the 300 series (appointments of limited duration) of the Staff Rules. Instructions to that effect were being issued and the necessary changes would be made to the relevant rules. Existing contractual obligations, however, would be respected and there would be a transition period during which a management review would be carried out to determine which functions currently performed by staff appointed under the 200 and 300 series at Headquarters would be required in the future. Relevant positions would be advertised under the 100 series of the Staff Rules, subject to the availability of budgetary resources.

15. In view of the Organization's high level of performance with regard to administrative and financial matters, he appealed to Board members to focus their deliberations at the current session on substantive and programmatic issues. Work was proceeding on several fronts to expand the services provided by UNIDO, improve their quality and enhance their relevance and impact. First, efforts were being made to focus more closely on areas where the Organization had particular expertise and comparative advantage. Secondly, links between global forum and technical cooperation activities were being improved. Thirdly, a number of options for achieving cost-effective decentralization were being reviewed in order to enhance the impact of services at the field level.

16. Those topics were being addressed by the three Managing Directors, together with a number of senior staff. The Managing Directors, who had almost completed their first year with the Organization, would subsequently be presenting their overviews of the past year and also reporting on the current status of the three "commissions" (working groups) they had been chairing, which had been established after the Board of Directors retreat in February 2003. Another retreat was planned for September 2003, where the Managing Directors would present the conclusions and recommendations of the commissions. He would be glad to share the outcome of the retreat with Board members.

17. He believed that, after so much discussion of administrative and financial issues, more time should be devoted to substantive discussions on how to focus UNIDO's programmes better. He would therefore be offering a number of luncheons during the Board session, at the first of which the Organization's programmes in West Africa would be discussed. He wished to seek the advice of members on how to address current problems together with Ministers from the region and development partners. The following day he would be offering a lunch to review a programme being developed by Peru and developing country partners in the Andean region. At a luncheon on trade-related issues on the last day of the session, programmes in various regions would be presented. One point that needed consideration concerned agro-industries; although these were stressed in the strategic guidelines "Towards improved UNIDO programme delivery" (see decision IDB.26/Dec.7 in document GC.10/3) and in the 1997 Business Plan on the Role and Functions of UNIDO, the technical cooperation delivery of UNIDO in the agro-industry sector amounted to less than 5 per cent of its total delivery. He would like to discuss ways of attracting more funding to activities in that field, bearing in mind, for example, the expected impact of biotechnology.

18. He welcomed Timor Leste as the 171st Member State of UNIDO.

19. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that, thanks to constructive dialogue with Member States and their commitment to pay assessed contributions on time, rates of collection of assessed contributions had reached a seven-year high by mid-August 2003, showing a substantial increase over the previous two years. However, the rates were highly differentiated as between groups. During the reference period, December 1998 to December 2002, collection rates for the countries in the Western Europe and Others Group

(Group B) had increased to 100 per cent; rates for Eastern Europe (Group D) had increased sharply from 15 to 90 per cent; rates for Africa, Asia and the Pacific (Group A) had recorded a steady rise from 53 to 89 per cent; and rates for Latin America and the Caribbean (Group C) had stagnated. As at 15 August 2003, collection rates stood at 99 per cent, 88 per cent, 75 per cent and 16 per cent respectively. On the same date, outstanding contributions amounted to 117 million euros including the arrears of the United States of America, and to 48 million euros excluding those arrears. There were strong hopes that the informal consultative group on funds mobilization would work out a strategy to enlarge the Organization's membership and secure payment of arrears.

20. The rise in collection rates had led to a substantial decline in the number of countries without voting rights between 1999 and 2003: from 67 to 51 for the General Conference, from 6 to 2 for the Industrial Development Board and from 4 to 1 for the Programme and Budget Committee.

21. As the level of expenditure was maintained below the collection rate, cash flow always showed a positive balance. Regular monthly increases in expenditure levels were strictly controlled so that the cumulative collection level was never exceeded. At each year-end, the Organization had been capable of meeting all expenditure targets. The goal was to preserve the same financial soundness in the next biennium.

22. The monthly cash balance for total resources, including extrabudgetary resources, fluctuated between 180 million and 240 million euros and was invested with reputable financial institutions. Returns over the previous 18 months compared favourably with market rates.

23. The Human Resources Management Framework had played a fundamental role in the Organization's performance. The first phase had focused on employment stability and the second on career growth. Campaigns over the previous two years to recruit more staff from developing countries and LDCs had led to an increase in staff from Asia and the Pacific and Africa. The level of staff from the Western Europe and Others Group had remained constant and that from non-member States had decreased. The representation of women in managerial positions had increased: women had accounted for 41 per cent of the total recruitment of managers between May 2001 and May 2003. There had been an increase in women Professional staff from Asia and the Pacific, Africa, Eastern Europe and the newly independent States, a decrease in such staff from the Western Europe and Others Group due to natural attrition, and an unchanged trend in Latin America and the Caribbean. The Organization would continue to pursue its proactive gender policy.

24. Under the second phase of the Human Resources Management Framework, 227 staff members had been promoted over the past three and a half years.

25. Efforts were being made to improve linkages between global forum and technical cooperation activities to ensure that UNIDO's programmes remained state-of-the-art. The working group that had been set up on that issue was likely to recommend measures to improve flows of information from and to the global forum activities, a sharper definition of global forum goals in order to align activities with priorities and fine-tuning of procedures to make global forum activities more results-oriented.

26. **Ms. HIROSE** (Managing Director, Programme Coordination and Field Operations Division) said that her Division had launched an integrated programme (IP) and country service framework (CSP) adjustment exercise to make programmes more relevant and focused. In consultation with Member States, 25 IPs were being modified: first-generation programmes were being moved from phase I to phase II and other programmes were being refocused in the light of experience or adjusted to changed circumstances. Six in-depth evaluations had been carried out and five more were planned. A round table was being held that day to discuss activities in the West African region.

27. To assess the impact of UNIDO programme activities, the Division had developed an approach that could be used to diagnose, evaluate and report industrial performance and impact at the national level. It was assumed that if industrial governance created an appropriate environment and industrial institutions and support systems met the demands of the industrial sector, industrial capabilities and the country's aggregate industrial performance would improve. The approach developed used core indicators to benchmark and compare performance over time and focused on five key structural influences on industrial performance, known as "performance drivers". The exercise had proved to be complex, but efforts were under way to improve the methodology.

28. Turning to the question of decentralization, she said that progress was being made in improving networking and cooperation among decentralized units and with Headquarters. The Organization's 29 field offices were being adjusted in the light of programme delivery needs in the regions. A total of 114 regular posts would be located in the field by January 2004. Maintaining the requisite number of offices within budgetary constraints presented a challenge, but field operations remained a key issue throughout the United Nations system. Closer links were needed at the field level with both Member States and UNIDO's international partners to enhance the relevance and boost the implementation of its programmes.

29. In March 2003, the Director-General had approved the transfer of project allotment documents (PADs), and hence of financial authority and responsibility, to the Regional Bureau for Latin America and the Caribbean and the Regional Bureau for Europe, as well as to six UNIDO Representatives who were team leaders. Although difficulties had been encountered and further fine-tuning was required, programme coordination and in-house collaboration had improved. There were plans to further develop such delegation of authority.

30. Commission III had been asked to consider the field office network and ways of transferring authority to the field. Its draft report was being submitted to the Director-General for review and would be discussed with the UNIDO Representatives from Latin America and Asia at a meeting in September 2003.

31. She counted on the support and interest of Member States in the implementation of what had proved to be a difficult process.

32. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) said that, during the past year, one of the tasks of his Division had been to redefine UNIDO's interventions so as to ensure that their impact matched expectations. That had been done in the context of the Millennium Development Goals of eradicating extreme poverty and hunger (Goal 1), developing a global partnership for development (8), ensuring environmental sustainability (7) and promoting gender equality and empowering women (3). There were four basic areas for UNIDO's interventions. The first two related to capacity-building: the first of those concerned entrepreneurship and private-sector development, while the second concerned industrial competitiveness and efforts to enable developing countries to become significant players in international trade. The third and fourth areas were the promotion of technology transfer and the management of technology diffusion respectively. Each of the four areas had been examined in depth with a view to increasing the relevance of UNIDO's programmes.

33. In connection with capacity-building relating to entrepreneurship and private sector development, export competitiveness was the ultimate target, and a dynamic private sector was seen as the long-term engine of growth. Consideration must be given to the development of entrepreneurial skills, national industrial policies, institutional support systems and incentive schemes for the private sector. Most of UNIDO's programmes, whether in the area of cleaner production, agro-industry or small and medium-sized enterprises, would need to be reviewed in that light. In connection with capacity-building for industrial competitiveness, many of the least developed countries had constraints in terms of supply capacity. There was also the problem of technical barriers to trade, and countries needed to develop capacity in that regard. Some lessons could be learned from programmes already implemented, such as the assistance provided by UNIDO experts in the upgrading of inspection systems and laboratories in African countries so that fish exports would meet the standards required by the international market.

34. With regard to the promotion of technology transfer, technology could be transferred either directly or through foreign direct investment. Technology transfer gave developing countries a broader range of technologies to choose from to deal with a particular programme in a given area. The environmental soundness of technology was critical, and technology transfer must raise levels of productivity and competitiveness. Environmental projects accounted for an important share of UNIDO cooperation, but the key issue that had emerged during the review of UNIDO's interventions was that technology transfer must go hand in hand with technology diffusion—in other words, once it had been transferred technology should not be left sitting on the factory shelf. In that connection, national research and development systems needed attention.

35. The review of UNIDO's interventions was almost complete and its results would be presented at the forthcoming retreat. Nonetheless, further work lay ahead, particularly to improve the linkage between the decentralization process and the revitalization of programmes. Information and communication technology was of key importance in that regard. Staff profiles would also need to be realigned to ensure that interventions had the desired impact.

STATEMENT BY THE PRESIDENT

36. **The PRESIDENT** said that it was a privilege to preside over the current session of the Board—the last before the tenth session of the General Conference. He urged all delegations to seek to convince their Governments of the need to be represented at the highest level at that session. Given the current international climate marked by severe tensions and wide differences of view, there was a greater need than ever to highlight the importance of multilateralism. Notwithstanding the technical nature of the Board, it was important that two basic concepts should be borne in mind during the current session. The first was what was said in the United Nations Millennium Declaration about the obligations of international organizations and the international community regarding development and the eradication of poverty. The second was the need to incorporate science and technology in policies targeting the areas identified in the Millennium Declaration. Confidence-building measures were needed in the technological and scientific spheres. The great potential offered by organizations like UNIDO should be

harnessed; international cooperation, in the framework of strengthened multilateralism, would make it possible to rise to the challenges posed by the current international climate.

STATEMENTS BY MINISTERS

37. **Mr. OUATTARA** (Minister of Commerce, Enterprise Promotion and Handicrafts of Burkina Faso) began by offering his condolences to the United Nations and the families of the victims in the tragic bombing of the United Nations headquarters in Baghdad on 19 August 2003.

38. All were aware of the potential role of industrial development in sustainable development and the fight against poverty. While he welcomed the integrated programmes initiative, which constituted a response to the many problems facing the industrial sector in developing countries, the current situation regarding the funding of the integrated programmes was disappointing. In the case of Burkina Faso—chosen by UNIDO as a pilot country—lack of funds had forced some important activities planned to be cut back. Notwithstanding, impressive results had been obtained and several pilot units had been set up in such areas as the processing of animal husbandry products, fruit and vegetables, leather goods and the protection of the environment. Activities had been undertaken in the field of quality and certification, including training on food security and standardization. Support had also been provided for the establishment of a standardization structure and for networking among laboratories. Of particular note was the successful investment promotion forum organized by Burkina Faso in June 2001, with UNIDO assistance, in which around 250 national and foreign investors had participated. It would undoubtedly result in the establishment of new partnerships.

39. Those activities had been made possible through voluntary contributions from such Member States as Austria, Belgium, Denmark and Luxembourg, as well as inputs from beneficiaries on the basis of the cost-sharing principle. He was pleased with the results achieved and hoped that the recent in-depth evaluation of the programme would help to consolidate them. Much work remained to be done and more resources needed to be mobilized. He appealed for increased voluntary contributions and urged UNIDO to pursue its fund mobilization efforts with potential donors. Burkina Faso, for its part, would do its utmost to seek supplementary funding for the programme.

40. The current session was being held in a relatively serene atmosphere thanks to the reforms introduced in UNIDO. However, to make such reforms a success, the international community must support the Organization with the necessary funding. If the Board's assessment of UNIDO's new vision and of the strategic guidelines adopted at the twenty-sixth session confirmed their validity, ways and means would need to be found to mobilize the resources required to meet the objectives. As a first step, each Member State should pay its contributions on a regular basis, to enhance the independence and credibility of the Organization.

41. **Mr. AHOUSSOU KOUADIO** (Minister for Industry and Private Sector Development of Côte d'Ivoire) said that he had been unable to attend the twenty-sixth session of the Board because of the war that had just erupted in his country. Now, happily, the peace process was getting under way. Following the conclusion of a peace agreement in Linas-Marcoussis, France, a ceasefire had been signed on 3 May 2003 and the belligerent parties had officially declared the end of the war on 4 July 2003. Relations with neighbouring countries were returning to normal and an amnesty law had been adopted by the National Assembly on 6 August 2003. Further work was required before stability was restored in Côte d'Ivoire, but with the good will of all political players it was certainly achievable.

42. The Government of National Reconciliation was undertaking a policy of economic reconstruction. The country's industrial fabric and its private sector had been hard hit by the crisis. However, Côte d'Ivoire's strategic location and resources gave every reason to hope for swift economic recovery. UNIDO must pursue its cooperation with Côte d'Ivoire, which required its assistance more than ever before. Requests had been submitted to the Director-General in connection with projects under way relating, inter alia to: the formulation of industrial policy; standardization, accreditation and quality promotion; development of technology; promotion of entrepreneurship among women; development of enterprises for the reintegration of former members of the rebel forces. New areas of interest were the creation of free zones and the establishment of an information platform for enterprises called "Cyberindustrie". Côte d'Ivoire knew that it could count on the support of the Secretariat and Member States in continuing the growth process which had been interrupted. He expressed gratitude for the attention paid to his country through the Integrated Programme for Sustainable Private Sector Development and the Alliance for Africa's Industrialization, and appealed for further assistance.

43. Turning to the items on the Board's agenda, he said that the clear improvement in UNIDO's financial situation attested to the efforts of the Secretariat to ensure that contributions were collected in full and on time, and to the Organization's endeavours to regain the trust of Member States through financial and administrative reforms.

44. With regard to the medium-term programme framework, 2004-2007, Côte d'Ivoire would urge

UNIDO to adapt the range of its services and their means of delivery to the changing needs of recipient countries as far as industrial development was concerned. The strategic guidelines agreed upon at the last session should be taken fully into account. Adequate human and financial resources also needed to be provided for the Organization's decentralized entities.

45. UNIDO was to be commended for its new initiatives. His country particularly welcomed the initiative aimed at assisting countries or regional groups in developing material and institutional capacities to ensure that their export products met the technical requirements of the multilateral commercial system. He thanked the European Union for its financial assistance for the project being undertaken to meet the basic needs of the Member States of the West African Economic and Monetary Union (WAEMU), and welcomed Japan's contribution to the promotion of Asian investment in Africa.

46. His delegation also supported the Secretariat's initiative on technology transfer launched at the 2002 World Summit on Sustainable Development, and looked forward to its swift implementation. He commended those States that made voluntary contributions enabling UNIDO to implement its technical cooperation programmes successfully, and to implement the new initiatives.

47. His Government was committed to international industrial cooperation and to the future of UNIDO.

48. **Mr. BOGOLLAGAMA** (Minister of Industries of Sri Lanka) said that the integrated programme for his country was one of the first to have been launched by UNIDO, and the second largest in terms of UNIDO funding. It was also one of the first programmes to have been evaluated. Sri Lanka was ideally suited for testing the validity of the integrated approach—it was a small country with significant potential for growth through industrialization and one which aspired to become a middle-income country and to achieve the status of a "newly industrialized country" in the current decade.

49. If the UNIDO initiative was to succeed, the beneficiary Government must take ownership of the programme, and private sector institutions should become active stakeholders. Sri Lanka had shifted from a culture based on State enterprise to a market-oriented one, friendly to the private sector. Two donor conferences had been held for the Sri Lanka programme, and an unprecedented sum had been pledged for the next four years. A significant part of that amount would be used to reconstruct areas ravaged by war and provide humanitarian assistance. For peace to be sustainable, issues relating to economic growth and employment had to be addressed, and further support from UNIDO and other donors was required. The Governments of Norway and Japan and other donor countries were to be commended for their financial contributions to the Sri Lankan programme. If the current trend continued, the Sri Lankan programme could become the largest UNIDO programme.

50. Industrialization should be viewed as a mechanism for creating income opportunities for the majority of the population in a country, but in many developing countries, including his own, industries were concentrated in urban areas, and industrialization was confined to a limited area. For example, seventy-five per cent of the industrial units in Sri Lanka were located in the vicinity of the capital, Colombo. Past policies had led to imbalances in resource allocation in developing countries. Although private foreign investment and large-scale industries were essential for industrialization in any country, the role of small and medium industries (SMIs) in generating employment and income opportunities should not be underestimated. If large-scale industries continued to be favoured, the benefits of industrialization would be reaped by a small sector of the population only. The current policy on industrialization should therefore be reviewed with a view to promoting small and medium enterprises, and conditions should be created for that sector to flourish. Five regional economic commissions had been set up in Sri Lanka to deal with aspects related to small- and medium-sized industries, and a regional industrialization programme had been created. The Dirigamana incubator project sought to take industries to regions and promote SMIs. It offered a range of services to young entrepreneurs with a view to ensuring the viability of new industries. It was expected to develop effective links between small or medium enterprises in regions and large-scale producers and distributors.

51. UNIDO's efforts and programmes had to be viewed within the wider context of the global development debate. The Fourth Ministerial Conference of the World Trade Organization, held in Doha in November 2001, had raised many concerns affecting developing countries, and attention had been drawn to the fact that globalization brought not only opportunities for development but also the threat of marginalization. He was pleased that that issue was now being discussed in many international agencies.

52. As a country exporting to global markets, Sri Lanka had been faced with technical barriers to trade, with exporters having to submit evidence of compliance with international standards. Five internationally accredited testing laboratories and a proven national system complying with the international environment management system ISO 14000 had been established the previous year with the support of

UNIDO and the Norwegian Agency for International Development (NORAD). He fully endorsed the new trust fund that UNIDO had set up to support capacity development for trade facilitation, and hoped that the donor community would contribute.

53. He wished to conclude by thanking UNIDO, the donors and the integrated programme team for the excellent inputs provided. The Sri Lankan programme had had a major impact in a short period of time and the challenge ahead was to make the programme a complete success. He therefore urged UNIDO and the donor community to provide further funding with a view to achieving the goals set.

54. **Mr. KYEREMATEN** (Minister of Trade and Industry of Ghana) said that he hoped to intensify the relationship between Ghana and UNIDO. His Government was determined to reduce poverty and hoped to achieve middle-income status for Ghana by 2010. It was fully committed to the integrated programme and had appreciated the Director-General's visit to Ghana in March. Significant results had already been achieved in areas including investment promotion, quality improvement in food production, agricultural machinery and industrial systems. The integrated programme had also complemented some of the projects associated with the Ghanaian President's special initiatives in areas including industrial starch produced from cassava, garments and textiles and handicrafts.

55. Collaboration between UNIDO and Member States should be strengthened to enable programmes initiated by both parties to be sustained. Member States must pay their assessed contributions regularly and on time. Ghana, despite financial constraints, had taken steps to honour its financial obligations to the Organization.

56. The integrated programme had helped to strengthen his Government's accelerated growth programme and underpinned two core strategies—namely, the development of an export-oriented industrialization drive focusing primarily on agro-processing and on other manufacturing activities, and an industrialization drive oriented towards the domestic market. Those strategies were being implemented through a number of programmes, including the establishment of a rural enterprise development programme, a technology improvement programme aimed at raising productivity and competitiveness, education and training for the industrial development programme and the establishment of an integrated metalworking and machine tool centre to support Ghana's industrialization efforts. An export development and investment fund had also been established.

57. It was to be hoped that UNIDO would continue to offer its support and assistance through the integrated programme, and would also review the forms of assistance it provided in the light of current policies and programmes in Ghana.

The meeting rose at 12.35 p.m.

Distr.
GENERAL

IDB.27/SR.2
11 September 2003

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 26 August 2003, at 3 p.m.

President: Mr. GONZALEZ ANINAT (Chile)
Later: Mr. EL-LAITHY (Egypt)

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V.03-87685 (E)

The meeting was called to order at 3.25 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

2. *It was so decided.*

3. **The PRESIDENT** said the Bureau had recommended that the Board should continue the practice of holding informal consultations on draft decisions, so that a consensus could be reached on them before they were submitted to the plenary. The Bureau had further recommended that Ms. Ramis-Plum (France) should chair the informal consultations.

4. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2002 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.27/2 and Add.1)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.27/12)

(a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003** (IDB.27/2, IDB.27/6 and IDB.27/8)

(b) **FINANCIAL SITUATION OF UNIDO** (IDB.27/10; IDB.27/CRP.7)

(c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES** (IDB.27/7 and Add.1)

(d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005** (IDB.27/4)

(e) **FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION** (IDB.27/2)

(f) **TRANSITION TO A SINGLE-CURRENCY SYSTEM** (IDB.27/9)

(g) **FOLLOW-UP TO REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 2000-2001** (IDB.27/6)

(h) **APPOINTMENT OF AN EXTERNAL AUDITOR** (IDB.27/5 and Add.1; IDB.27/CRP.2)

PROGRAMME AND BUDGETS, 2004-2005 (IDB.27/3)

5. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, said that the tragic bombing of the United Nations headquarters building in Baghdad should not prevent UNIDO from pursuing its programmes and projects in Iraq.

6. He supported the Organization's efforts to play a key role in defining and implementing international strategies to alleviate poverty by integrating them into action for sustainable growth in the developing countries. UNIDO's involvement in those activities had enhanced its profile within the United Nations system and in the international community as a leading development organization.

7. He urged UNIDO to capitalize further on its position as an executing agency of the Global Environment Facility (GEF) through a more focused and realistic approach to programme design, planning, assessment and implementation.

8. He appreciated the participation of UNIDO in major international conferences in 2002 and the initiatives presented at those conferences, which would assist in mobilizing funds for technical cooperation and benefit programme implementation. He welcomed the approval of six new integrated programmes and country service frameworks in 2002, but expressed concern at the continued lack of sufficient funding for project implementation. UNIDO should strengthen collective efforts among all stakeholders to enhance effective implementation through appropriate and timely fund provision.

9. Action to achieve more result-oriented UNIDO management would create a healthier operational environment and strengthen accountability and efficiency. He noted improved performance in evaluation to measure the efficiency and effectiveness of the programme; such positive trends should be maintained and enhanced.

10. He commended UNIDO on the increase in technical cooperation (TC) delivery per staff member and in the leverage ratio (the amount of TC services delivered for one dollar of regular and operational budget). However, TC delivery figures and percentage increases remained minimal, and he called on the Organization to redouble its efforts to enhance delivery.

11. Turning to agenda item 4, he said that he agreed with the External Auditor that the new Office of the Comptroller General should formally adopt the Professional Practices Framework of the Institute of

Internal Auditors and apply the standards concerned in all internal oversight activities. He hoped that the Internal Oversight Group (IOG) would advise UNIDO on improving its performance, that all levels of management would reach a better understanding of IOG's role and that the shortcomings of the previous IOG would be remedied by the new Office of the Comptroller General.

12. He hoped that the favourable trend in the rate of collection of assessed contributions would lead to an improvement in service delivery. He urged the 50 Member States that were still without voting rights either to settle their dues or to draw up payment plans, and called on former Member States that were still in arrears to fulfil their constitutional obligations. Noting the positive response by the United States of America, he requested the Secretariat to continue its efforts in that regard. He was optimistic that former Members would eventually return to the fold.

13. The increase in TC project and programme approvals in 2002 reflected an external donor response to UNIDO's more focused approach. The maintenance of the level of funding from the Industrial Development Fund was a source of satisfaction, as was the increase in trust fund financing and the gradual increase in the level of voluntary contributions by major donor Governments.

14. It was encouraging to note that net approvals from GEF sources during 2002 came to double the 2001 level. He hoped that Member States would support UNIDO in the GEF governing bodies. UNIDO should also endeavour to consolidate its credentials as a trustworthy partner and executing agency for such projects. It should further seek to obtain a greater share of United Nations Development Programme (UNDP) Target Resource Assignment from Core (TRAC) funds.

15. Turning to item 5, he supported conclusion 2003/3 of the Programme and Budget Committee (PBC) contained in document IDB.27/12. With regard to the budgets for the 2004-2005 biennium, he emphasized the priority accorded to the implementation of TC programmes in the developing countries. He supported the Secretariat's efforts for fund mobilization through voluntary contributions and additional sources, including new initiatives, and encouraged all Member States to contribute to such efforts. He welcomed the establishment of an informal consultative group on the mobilization of resources as an important step in that direction.

16. **Mr. MORENO** (Italy), speaking on behalf of the European Union and the acceding and associated countries, welcomed the Director-General's efforts to strengthen UNIDO, both administratively, with the streamlining of the service modules and the organizational restructuring, and in terms of technical cooperation, with the expansion of the integrated programmes approach and the setting of strategic guidelines. He also welcomed the thematic initiatives and global forum activities undertaken in 2002. At the same time, the European Union encouraged UNIDO to continue its efforts to reach a level of excellence that could attract new members and further strengthen its position in the international development community. The Annual Report could better serve the purpose of publicizing the increased efficiency of UNIDO as an organization if it included less descriptive and more future-oriented elements. The Report would also benefit from greater transparency in presenting the Organization's funding sources.

17. The European Union welcomed the current healthy financial situation and appreciated the efforts of the Secretariat and Member States in that regard. It requested all Member States to pay their contributions in full and on time and urged Member States in arrears to settle their accounts or, as a last resort, to negotiate payment plans. It supported the Director-General's continued discussions with the United States Government on the settlement of its arrears.

18. The European Union welcomed the substantial increase in the delivery of technical cooperation in 2002 and hoped that the increased level of voluntary contributions would lead to a further improvement in the level of TC delivery. It would appreciate greater visibility of voluntary contributions, as a fundamental source of funding for the Organization's TC activities, in the Annual Report.

19. In pursuance of its core mandate of helping the developing countries to break the poverty chain through sustainable and environmentally sound industrial development, UNIDO should continue to focus on delivering high-quality activities that contributed to the Millennium Development Goals, and make a realistic assessment of resources likely to be available, including through a widened donor base, to ensure that programme development matched resources. The European Union awaited with interest the findings of the informal consultative group on financial resources, whose work on financial and policy issues should be without prejudice to the constitutional role of the PBC and the Board. The consultative group should look in particular at ways of increasing UNIDO's resources, for instance by attracting new Member States, obtaining resources from other multilateral funds and encouraging the recovery of arrears. It should also study how to attract predictable and stable voluntary contributions from new and innovative sources.

20. On the issue of the External Auditor, a balance should be struck between regular rotation and effective auditing. As it took time for a new External Auditor to

acquire a sound understanding of an organization, changing the incumbent after one term might not be cost-effective. The European Union hoped that that would be taken into account in deciding on the External Auditor for the next biennium.

21. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the outrageous terrorist attack on the headquarters of the United Nations in Baghdad should not be allowed to affect the implementation of UNIDO's programmes in Iraq.

22. The Annual Report for 2002 (IDB.27/2) portrayed a consolidated Organization that was a leading actor in the promotion of sustainable industrial development. GRULAC reiterated its support for UNIDO's participation in international development forums, particularly the Monterrey International Conference on Financing for Development, at which the Organization had launched the trade facilitation initiative, the World Summit on Sustainable Development in Johannesburg and the forthcoming World Summit on the Information Society. In that context, the Group supported the programme to facilitate access to markets for Central America, which was already producing beneficial results.

23. GRULAC urged UNIDO to continue implementing and strengthening integrated industrial development programmes. The Regional Programme on Technology Foresight for Latin America and the Caribbean was fostering interaction, communication and cooperation among all actors engaged in technological innovation in the region and would make it easier for policy makers to identify national industrial priorities so as to improve access for value-added products to regional and international markets.

24. GRULAC supported the conclusions contained in the report of the Programme and Budget Committee on its nineteenth session (IDB.27/12). It called on Member States to pay their assessed contributions on time and former Member States to settle their arrears. To that end, it urged the Programme and Budget Committee to provide Member States as soon as possible with a detailed progress report on measures to recover outstanding debt, indicating the sums involved.

25. With regard to agenda item 5, GRULAC supported PBC conclusion 2003/3 set forth in document IDB.27/12. It drew attention to the problem of financing UNIDO programmes and stressed the priority given to technical cooperation programmes in developing countries. The Group stressed the need, however, for UNIDO to provide more recourses for technical cooperation projects in Latin America and the Caribbean. It welcomed the establishment of a programme to coordinate funds mobilization, as well as the setting up of an informal consultative group on funds mobilization.

26. **Mr. RAO** (India), speaking on behalf of the Asian Group, welcomed the continued efforts being made to transform UNIDO into a key player among international development organizations, reinforcing its comparative advantage and affirming its role as an executing agency of the Global Environment Facility. Its active involvement in major international conferences in 2002, particularly the International Conference on Financing for Development and the World Summit on Sustainable Development, was appreciated. The initiatives presented at those conferences were part of UNIDO's efforts to mobilize funds for technical cooperation and the effective implementation of programmes.

27. The Asian Group welcomed UNIDO's increased programme delivery in Asia and the Pacific region. Increased approval of integrated programmes (IPs) and country service frameworks (CSFs) should not be an end in itself but an intermediary step towards effective implementation, which should be pursued further through collaborative actions among all stakeholders.

28. With regard to UNIDO's support to small and medium enterprises (SMEs), he said that the "triple bottom line" demonstration project undertaken in four Asian countries had demonstrated that SMEs could improve their environmental and social performance in a financially advantageous manner. The project could have wider use and applicability in the context of corporate social responsibility (CSR) for the SME sector. The most important barrier to adoption of CSR on a larger scale was a perceived lack of direct financial benefit and an anticipated increase in operating cost. UNIDO should focus on projects that would identify SME sectors in the developing world where improvements in CSR would lead to clear improvements in productivity and sales; it should help to develop well-defined and realistic approaches to CSR for SMEs in the developing world, provide SMEs with training and tools and facilitate business linkages.

29. The Group had been encouraged by further improvements in results-based management through the "Balanced Scorecard" approach; that would increase accountability and accentuate the results of UNIDO's organizational reform. UNIDO's efforts to improve performance were welcome, and the Group hoped that the performance of subcontractors could be improved. The increase in programme efficiency and effectiveness revealed by independent evaluations was encouraging, and the Group hoped that the trend could be maintained. The Group also commended UNIDO on the increase in TC delivery per staff member and in the leverage ratio, which had reached the highest level since 1996.

30. Turning to agenda item 4, he asked the Secretariat to clearly define the working relationship between the External Auditor and the Office of the Comptroller General so as to avoid duplication of tasks and set out clear lines of monitoring responsibility. The Group welcomed the External Auditor's suggestions on results-based management, including the establishment of reliable performance indicators, and regarding staff learning and the general information technology control environment. The Group was pleased that the recommendations of previous audits were being followed up and trusted that the next report of the External Auditor would include detailed information on the results achieved in that regard.

31. While welcoming the gradual improvement in the financial situation of UNIDO, the Group was concerned about the decline in the operational budget and strongly urged the Secretariat to take the necessary steps to improve technical cooperation delivery. It was pleased to note that, by the end of 2003, the operating reserve was expected to be restored to its 2001 level and welcomed the higher implementation rate in terms of regular budget net expenditures. It was glad to note that the higher than budgeted increases in salaries and related costs had been offset by maintaining higher vacancy rates.

32. The Group was concerned that the voting rights of 50 Member States remained suspended at the end of 2002 due to non-payment of dues. Efforts to secure the outstanding contributions must continue. He requested the Secretariat to provide more information on the effectiveness of the incentives and disincentives in place in other organizations of the United Nations system regarding the payment of contributions. The Secretariat should continue to explore innovative repayment schemes to address the issue of arrears.

33. The increased funding through trust fund mechanisms and the gradual increase in voluntary contributions attested to UNIDO's enhanced profile. The Group appreciated UNIDO's efforts to obtain increased GEF funding. Increased funding from GEF and other international organizations would enhance UNIDO's efforts to mobilize resources. Effective measures should therefore be undertaken to upgrade UNIDO's status in its cooperation with GEF.

34. The Group also appreciated UNIDO's initiatives on rural energy for productive use, launched at the World Summit on Sustainable Development, and on enabling developing countries to participate in international trade, launched during the International Conference on Financing for Development. The establishment of trust funds for those initiatives would be welcome.

35. The Group unanimously supported the candidature of Mr. Carague from the Philippine Commission on Audit for the position of External Auditor of UNIDO.

36. With regard to item 5, the Group reiterated the importance of UNIDO's technical cooperation delivery for sustainable industrial development. The quantity and quality of such delivery should be further improved. Lastly, the Group welcomed the establishment of the working group on voluntary contributions, which it hoped would result in increased contributions in the interests of technical cooperation delivery.

37. **Mr. HENDAOUI** (Tunisia), speaking on behalf of the African Group, welcomed UNIDO's increased involvement in international development. Its role as an executing agency of GEF should lead to innovative ways of addressing industrial development issues, particularly in Africa. UNIDO must capitalize on its new relationship with GEF through a more focused and realistic approach in the programme process, achievable through financial accountability, efficiency and value for money. It must give a full account of its comparative advantage and bias towards industrial development. The Group would appreciate a review of UNIDO's approach to integrated programmes in Africa to ensure that the necessary emphasis was being placed on activities to enhance industrial development, capacity-building and job creation and to alleviate poverty.

38. UNIDO's active participation in major international conferences was welcome. The Group requested the Secretariat to provide, during the General Conference session, an impact assessment concerning the new thematic initiatives presented. It would appreciate further information on measures taken to promote trade facilitation and the production of rural energy for productive use.

39. The Group welcomed UNIDO's effective use of the Geneva, New York and Addis Ababa offices in enhancing its multidimensional approach to the industrial development agenda. Those offices should be utilized for fund mobilization through active and targeted interaction with Member States.

40. The lack of funding for technical cooperation projects directly affected service delivery and effective implementation. UNIDO should intensify collaboration with all stakeholders, donors and recipients to enhance effective implementation of projects. The improvements in UNIDO's management should improve performance, accountability and efficiency, and the African Group welcomed the creation of the Programme Development and Technical Cooperation Division (PTC). The division was under financial stress, and he requested the Director-General to ensure that pipeline projects were

provided with sufficient financial resources for delivery of technical cooperation to Africa.

41. The Group welcomed the External Auditor's observations, and agreed with the recommendation that the newly created Office of the Comptroller General should adopt the Professional Practices Framework of the Institute of Internal Auditors.

42. Turning to the financial situation of UNIDO, he said that the Group welcomed the improved rate of collection of assessed contributions, which it hoped would be accompanied by a further improvement in service delivery for technical cooperation. Former Members of UNIDO should fulfil their constitutional obligations by settling their outstanding arrears, thus improving the Organization's financial situation, and he called upon the Secretariat to consult with former Members in that regard. The Group was concerned that 50 States had lost their voting rights, and encouraged the States concerned to make arrangements with the Secretariat to settle their arrears.

43. Turning to the financing of UNIDO programmes, he said that the Group hoped that the trend towards an increase in technical cooperation approvals from all sources of funds would continue. While cost-sharing and the commitment of Governments was vital for the success of integrated programmes, caution should be exercised to avoid burdening Member States. The Group welcomed the voluntary contributions made by Governments to trust funds to support UNIDO's programmes, and the proactive approach taken by UNIDO in pooling resources from other multilateral funding mechanisms. It noted that net approvals from GEF sources had risen in 2002. Mobilization of funds should be coordinated and tailored to the demands and requirements of UNIDO's programme. It welcomed thematic partnerships for mobilizing financial resources, and would follow up on the two important initiatives launched at Monterrey and Johannesburg to ensure that tangible results were achieved.

44. The Group wished to confirm its unequivocal support for the reappointment of Mr. Fakie, Auditor-General of South Africa, as External Auditor. It also supported PBC conclusion 2003/3 regarding the programme and budget for 2004-2005. It commended the establishment of the working group on voluntary contributions, which would help to ensure that the cuts in the recommended budgets for 2004-2005 did not negatively affect UNIDO service delivery. Efficiency gains should be sought in the implementation of the budgets. It was also essential that technical cooperation programmes should be adequately funded. UNIDO should intensify the use of field offices for the mobilization of funds. The performance assessment of field representatives and team leaders should include activities undertaken for funds mobilization. The Group welcomed the establishment of a programme aimed at coordinating the mobilization of funds for UNIDO activities, and of an informal consultative group on the mobilization of resources.

45. **Mr. KYEREMATEN** (Ghana) said that UNIDO's programmes and activities should contribute significantly to the development of the countries of the South. The reforms and organizational changes in the Organization had enhanced its efficiency, enabling it to become a major player on the development stage. He appreciated UNIDO's activities to assist countries in implementing integrated programmes; its regional activities, particularly those concerning the Economic Community for West African States (ECOWAS), were welcome, and he called for donor support for the joint UNIDO/ECOWAS market access initiative.

46. He was grateful for UNIDO's focus on assisting Africa in attaining the Millennium Development Goals. Ghana had taken certain policy decisions to increase capacity utilization and the provision of credit to the private sector. It appreciated UNIDO's ongoing activities to facilitate implementation of the Stockholm Convention on Persistent Organic Pollutants, and welcomed efforts to ensure food quality and safety in food processing companies in Africa as a whole and in Ghana in particular.

47. Investment promotion was of particular importance to Ghana, and he hoped that the investment forum to be held in Accra in November under the auspices of UNIDO and the Ghana Investment Promotion Centre would help to promote Ghana as an attractive and investment-friendly location for business. UNIDO was to be commended for its investment and technology promotion training package in Ghana, and further UNIDO training activities in Ghana would be highly appreciated. He would like to see an increase in the number of fellowships awarded to Ghanaians. Ghana looked forward to UNIDO's assistance in identifying donors prepared to assist the country in exploiting the lucrative opportunities offered by the global bamboo industry.

48. Africa and the least developed countries continued to be marginalized by the competition engendered by globalization. Growth prospects had been weakened by the continued negative effects of low commodity prices, while crude oil prices had soared in the run-up to the war in Iraq. Drought and armed conflicts in some parts of the region had exacerbated the situation further. He commended UNIDO on finding windows of opportunity for investment in sub-Saharan Africa. At least five of the 53 countries in Africa had achieved the seven per cent growth rate required to meet the Millennium Development Goals. His Government appreciated UNIDO's positive contribution to Africa's economic growth.

49. Efforts should be made at the domestic level to reduce armed conflicts in Africa. He urged other continents to complement Africa's efforts and assist in that continent's renaissance.

50. **Mr. BERDENNIKOV** (Russian Federation) said that the Annual Report for 2002 showed that the Organization was improving the effectiveness of the services it provided and enhancing its role within the United Nations system, thereby contributing towards the attainment of the Millennium Development Goals. He noted with satisfaction its success in collecting contributions and in mobilizing resources for programme activities. Also welcome was its increased cooperation with GEF and the Bretton Woods institutions. However, in order to mobilize the necessary resources, technology and expertise, greater cooperation with the private sector was required, in particular with those companies that had subscribed to the Global Compact launched by the Secretary-General of the United Nations. Advantage should be taken of the Organization's main advantages in order to make its services more attractive to external donors. While integrated programmes and country service frameworks should remain the core of UNIDO's technical cooperation activities, a limited number of thematic initiatives could be launched for the provision of specialized assistance to developing countries and economies in transition.

51. He welcomed global forum activities and advocated further strategic research at the national and regional levels directed towards making development cooperation more effective. Notwithstanding the Secretariat's efforts thus far, the process of decentralization and strengthening of field offices was making slow progress. Efforts must be stepped up to ensure greater UNIDO representation in the field, inter alia, by redistributing staff between UNIDO Headquarters and field offices, encouraging more active representation work and broadening the scope of the offices' activities from national to regional level. He agreed with the Director-General that the staff were the Organization's main resource and supported the further development of the Human Resources Management Framework (HRMF), as a result of which the productivity of staff had increased significantly. An effort should also be made to reduce the number of vacancies in the Secretariat and cut down on "L-category" posts at Headquarters.

52. In its future work, UNIDO must focus on the objectives and priorities set forth in the Business Plan as well as in the strategic guidelines adopted at the previous session of the Board, while tailoring its services and delivery thereof to suit the changing requirements of Member States. He endorsed the proposed programme and budgets for 2004-2005, as amended to reflect the views expressed by delegations at the session of the Programme and Budget Committee; the Board should recommend their approval by the General Conference.

53. **Mr. ZHANG Yan** (China) said that, in 2002, bold reforms had been introduced in the administration of UNIDO and global forum activities had been stepped up. He was convinced that the Director-General would live up to the expectations of Member States and lead the Organization on to greater success. He welcomed the unprecedentedly high collection rate, which was expected to increase further in 2003. The confidence of Member States was increasing. However, arrears remained a problem, with a resulting shortfall in income which placed constraints on the Organization's activities. New methods of resource mobilization must therefore be sought. China welcomed the launching of the "thematic initiatives" relating to facilitating trade and market access for developing countries and renewable sources of energy. It would actively participate in the informal consultative groups that had been set up.

54. In recent years, the Chinese Government had endeavoured to increase its contributions to the International Development Fund and had undertaken cooperation projects with UNIDO in areas such as sustainable sources of energy, investment promotion, information technology and biomedicine. It stood ready to strengthen cooperation in those areas. It supported the holding of the Global Biotechnology Forum and was ready to host a regional preparatory meeting for the Asia and Pacific region. China had always actively participated in the Organization's technical cooperation activities: recent successes included projects under the Montreal Protocol and with funds from the Global Environment Facility. The rapid economic growth and technological progress in China in the last 20 years made it possible to offer technical cooperation to other developing countries. Technology centres specializing in a number of spheres had been set up in China with international assistance. He hoped that UNIDO would consider taking advantage of China's technology, resources and expertise in the implementation of integrated programmes and country service frameworks, in the context of South-South cooperation.

55. A World Economic Forum China Business Summit would be held in November 2003 in Beijing to promote trade and cooperation between Chinese and foreign enterprises and to follow up on the Millennium Declaration. It would be attended by high-level politicians from China and the special administrative regions, leading economists, directors of international organizations and more than a thousand foreign and Chinese executives. He hoped that UNIDO would participate in the event and take advantage of the opportunity to strengthen its cooperation with China and enhance its reputation in the international development field.

56. **Mr. MARQUEZ MARIN** (Venezuela) said that his Government was making determined efforts to establish a diversified and competitive economy through the development of SMEs, which not only guaranteed sustainable growth but also helped to ensure a better quality of life for the majority of the population. Venezuela had benefited from increasing cooperation with UNIDO in recent years, concerning, inter alia, mercury pollution abatement, the development of agro-industry and the wood industry, investment promotion, exports and technology. It was planned to set up a unit to monitor the performance of the national production system in order to improve public policies relating to production development. It was also proposed to promote regional projects through cooperation between UNIDO and the National Bank for Social and Economic Development.

57. With respect to the medium-term programme framework, 2002-2005, he noted UNIDO's efforts in the areas of support for SMEs, the promotion of South-South cooperation, the strengthening of industrial capacities of developing countries and the promotion of investment and technology transfer, but considered that the resources involved should be better distributed.

58. Venezuela shared the Organization's concern about the need to step up activities relating to cleaner production and renewable and alternative sources of energy and the importance of biotechnology and technology foresight. It commended UNIDO and the host country, Chile, for the organization of the Global Biotechnology Forum. It was to be hoped that the Forum would result in initiatives that would further cooperation with developing countries in technological capacity-building, while preserving biodiversity and traditional knowledge.

59. UNIDO must serve as a forum for debate concerning the fight against poverty in developing countries. He therefore endorsed the Director-General's initiative in favour of round tables on key topics of the international economic agenda, especially those relating to the need to build a new economic order which would permit sustainable and geographically balanced development, with a view to eliminating the poverty and inequalities that threatened peace and governability.

60. *Mr. El-Laithy (Egypt) took the Chair.*

61. **Mr. JENKINS** (United Kingdom) expressed appreciation for the Annual Report for 2002 (IDB.27/2) as well as for the paper that had been distributed concerning UNIDO's corporate strategy, which testified to the Director-General's grasp of the forces shaping the global economy and UNIDO's role in that connection. Regarding recent United Kingdom activities of relevance to the work of the Organization, he said that the United Kingdom had been instrumental in establishing the Renewable Energy and Energy Efficiency Partnership (REEEP) at the Johannesburg World Summit on Sustainable Development. The aim of REEEP was to expand the global market for renewable energy and energy-efficient technologies. He hoped that the Director-General would be present at the formal launching of REEEP in London in October. Thereafter a permanent REEEP secretariat would be established in Vienna. He was confident that the close link between the objectives of REEEP and UNIDO's work would lead to growing cooperation between the two organizations.

62. In August 2003, at the invitation of the United Kingdom's Department for International Development, UNIDO had made a presentation at a seminar entitled "Moving Forward the Standards Agenda". He hoped that UNIDO would be encouraged to develop its ties with the World Bank, which was leading inter-agency coordination on the implementation of a major standards-related capacity-building programme. He hoped that recent discussions between UNIDO and the World Trade Organization (WTO) on the possible launching of a joint programme on trade-related technical cooperation would lead to the signing of a memorandum of understanding (MOU) at the upcoming Fifth WTO Ministerial Conference. The MOU would provide a solid basis for partnership between the two agencies and help developing countries, especially the least developed, to take better advantage of access to European Union markets. A further example of cooperation with UNIDO was its selection as partner for the execution and design of the cluster development component of the programme to implement the Government of Orissa's industrial policy in India.

63. Human resources were an organization's greatest asset, and the United Kingdom had fostered cooperation with the UNIDO Human Resources Branch. Several management development courses for senior staff had been financed by the United Kingdom; a course for UNIDO representatives in Asia and Latin America would take place in September in Bangkok; three further courses supported by the United Kingdom would be held in Austria in 2003.

64. The United Kingdom had always supported efforts to enhance UNIDO performance evaluation and welcomed the imminent implementation of a holistic and results-based management system. He hoped UNIDO would accord the work high priority and looked forward to further cooperation with the Organization, in particular with the Comptroller General's Office.

65. Turning to the matters on the agenda of the current session, he welcomed the realistic budget proposed for 2004-2005, which would enable UNIDO to make a relevant and cost-effective contribution to the international development agenda. It showed the willingness

of Member States to support an organization that had the courage to undertake modernization and reform. The programme and budget document (IDB.27/3) gave a clear and concise account of proposed activities and the performance indicators to be used. Further refinements of that approach in future years would be welcome.

66. He expressed concern about prospects for the Global Biotechnology Forum. It was not clear how preparations for the event were going or whether there was adequate agreement that it should focus on aspects of biotechnology relevant to UNIDO's mandate, especially how biotechnology could help developing countries enhance the value of their food-processing industries. Member States must take advantage of the current session to give clear directives and impart momentum to the preparations.

67. He endorsed the Secretariat's aim of refining the field network to improve its impact and integration into the United Nations system. He doubted whether Member States were best placed to advise UNIDO on where it should have field offices; nevertheless, there was a strong case for UNIDO strengthening its regional offices and consolidating its country offices, particularly where the former could link up with the activities of other regional organizations and bilateral donors and where country programmes could be managed more cost-effectively without field offices. He supported the Director-General's initiative to delegate more programmatic authority to the field, which should enhance UNIDO's profile in United Nations Country Teams. According to the document on field representation (IDB.27/21), priority would be given to internal candidates in the selection of UNIDO Representatives. However, he believed that, for regional offices, outside candidates who had the necessary diplomatic skills and experience of technical cooperation delivery should be considered. He looked forward to the presentations in the Board on the report of the Joint Inspection Unit on administration and management in UNIDO, which he had found somewhat varied in quality. He was grateful to the Secretariat and Director-General for having produced a comprehensive response in such a short time. Informal meetings with the Secretariat in the coming weeks would undoubtedly help Member States to develop their thinking on the issues raised.

68. **Mr. SAHINBAS** (Turkey) said that he welcomed the steps taken by the Secretariat regarding administrative matters and technical cooperation activities with a view to improving the efficiency of the Organization and the services provided—a process which should be continued. The steady rise in technical cooperation project approvals and the increase in resources through voluntary contributions and multilateral funds like GEF were positive developments. Also welcome was donor support for the thematic initiatives on trade facilitation and renewable energy. He noted the Secretariat's acknowledgment of the need to improve technical cooperation performance reporting and the establishment of a working group to that end, as well as information in document IDB.27/21 on review and adjustment work relating to integrated programmes and country service frameworks. The successful implementation of IPs depended on adequate funding. When drawing up an IP, it was therefore important to make a realistic funding plan and ensure commitment at country level.

69. Turning to activities carried out by Turkey during 2002 that related to UNIDO's work, he said that the Turkey-UNIDO regional project to develop SMEs had been successfully implemented in Kyrgyzstan and Uzbekistan, with business units now operational in the capital cities. At the request of the Government of Azerbaijan, the project document had been revised to include pre-feasibility studies for the establishment of a business incubator and an industrial estate in Baku.

70. Preparations were under way for a training seminar in Turkey from 8 to 12 December 2003 on technology foresight for Black Sea Economic Cooperation (BSEC) countries and newly independent States (NIS), with financial support from the Hungarian Government. It was aimed at professionals responsible for organizing and conducting national and regional foresight activities. It would provide participants with basic knowledge regarding the application of technology foresight tools in strategic decision-making on technological development, modalities of implementation of technology foresight initiatives and technology foresight experience and prospects in BSEC countries and NIS.

71. Turkey had designated UNIDO as GEF implementing agency for activities under the Stockholm Convention on Persistent Organic Pollutants. UNIDO had also contributed to the implementation of Montreal Protocol projects in Turkey.

72. With regard to field activities, Turkey had always supported the decentralization process, since field representation was an important component of technical cooperation activities. It continued to finance 70 per cent of the annual expenses of the UNIDO Centre for Regional Industrial Cooperation in Ankara. He stressed the important role played by UNIDO Headquarters in mobilizing funds for projects to be implemented through that Centre.

73. Referring to agenda item 4, he said that well-functioning systems for performance management and comprehensive evaluation were essential for the successful implementation of programmes and improving the quality of services to be delivered by UNIDO, and were an incentive for donors to provide funds. As for the financial situation, while he welcomed

the high collection rate and improvement in financial stability, the deficit in the operational budget was a matter of concern. Measures should be taken to improve the balance in the operational budget to cover the cost of project implementation services rendered.

74. With respect to item 5, he wished to highlight the importance of technical cooperation activities in poverty alleviation and sustainable industrial development. He trusted that, as foreseen in PBC conclusion 2003/3, the Secretariat would maintain the quantity and quality of technical cooperation delivery while continuing to seek efficiency gains in the implementation of the programme and budgets. He hoped that the working group on voluntary contributions would be able to help the Secretariat to enhance delivery of technical cooperation activities.

75. **Mr. GAISENAK** (Belarus) expressed support for UNIDO's active assistance to developing countries and countries with economies in transition in creating and enhancing their industrial potential, attracting investment, commercializing technology, assisting small and medium enterprises, promoting energy efficiency and developing industrial waste management systems. Welcoming the first annual high-level Regional Conference on Technology Foresight, organized by the Secretariat and the Hungarian Government, he expressed the hope that future conferences would be expanded to include a wider range of countries.

76. UNIDO had taken commendable steps to mobilize funds for programme activities from international sources and donor countries and organizations. Belarus had recently settled a considerable proportion of its arrears and was about to sign a payment plan with the Organization with a view to recovering its right to vote. The Government greatly appreciated the sending of a UNIDO mission to Belarus in July 2003 to work out a draft programme of cooperation taking into account the priorities set by national institutions. Priority areas included support for investment in science and technology, ecologically sound industrial production and SMEs. The programme would lay the basis for systematic practical cooperation with UNIDO in the future.

77. The Government of Belarus also appreciated UNIDO's competent and effective technological assistance for the promotion of energy efficiency and technology transfer. It supported the draft programme and budgets for 2004-2005 and commended the user-friendliness and transparency of the documents placed before the Board.

78. **Ms. H. MOHAMMED** (Ethiopia) said that UNIDO's continuous modernization efforts would ensure that its resources were used more efficiently and that its assistance to developing countries was more effective.

79. The focus on integrated programmes had enabled Ethiopia to make more efficient use of its resources. The Government attached great importance to cooperation with UNIDO, which had attained high visibility in her country. Some 80 per cent of the budget earmarked for the integrated programme had been secured. The agreement to focus on food, leather and textile products and on developing the private sector was welcome.

80. She thanked Austria, Denmark, Finland, Ireland, Italy, Japan, the Netherlands, the Republic of Korea, Switzerland and UNDP for their assistance in financing the integrated programme.

81. She strongly believed that greater use should be made in integrated programmes of national consultants and experts; that could save time, minimize costs and ensure better results, while at the same time increasing the experts' skills.

82. Ethiopia was grateful to UNIDO for transferring the 2002 budget for a post-harvest project to humanitarian assistance to deal with the major drought that had affected the country.

83. The increase in the rate of collection of assessed contributions was to be welcomed, but every effort should be made to control budget increases. The large number of Member States without voting rights was a matter of concern. She urged Member States in arrears to pursue the option of a payment plan. The Director-General should continue to report on experience with incentive measures for the payment of arrears.

84. UNIDO should step up its efforts to promote access to world markets for developing countries and economies in transition and to attract foreign direct investment (FDI) to those countries.

85. While UNIDO's intention to promote bio-technology innovation to increase the production of food and other agricultural products was welcome, care was needed because misuse of such technology could have a negative impact on the ecology of the whole world.

86. Africans had come to realize that the key to development was in their own hands. At the same time, a partnership based on mutual interest, shared commitments and binding agreements was needed. UNIDO had committed itself to the New Partnership for Africa's Development (NEPAD) and to South-South cooperation, but she strongly believed that a great deal more could be done, for instance in the areas of capacity-building, attraction of FDI, technology transfer and food security.

87. **Mr. SAMODRA SRIWIDJAJA** (Indonesia) noted the efforts made to reform UNIDO and

appreciated the Organization's initiatives at major international conferences. He hoped that those efforts would lead to a strengthening of UNIDO's comparative advantage, broaden its financial resource base and yield concrete benefits for Member States through effective implementation of sustainable development programmes and projects. Fund mobilization was a key prerequisite for implementation of integrated programmes and country service frameworks. He therefore called for closer cooperation among stakeholders—all units of UNIDO at Headquarters and in the field, investment and technology promotion offices (ITPOs), donors and recipient countries.

88. Indonesia particularly appreciated UNIDO's support for sustainable industrial development in the context of the recent multidimensional crisis that had led, inter alia, to the flight from Indonesian capital markets of some US$ 16 billion within a few months. As a result of the decline in output, the rise in unemployment and inflation, the rate of absolute poverty had increased to 25 per cent. According to the World Bank, a further 25 per cent of the population faced the threat of falling into poverty. He strongly believed that developing countries should be helped to eradicate poverty as the true root of instability, through support by the international community for their sustainable industrial development.

89. The Country Service Framework for Indonesia signed in November 2002 focused on support for the development and growth of SMEs and for energy efficiency and environmentally sustainable industrial development. Priority was being given to projects for the eastern region of Indonesia, to empower the local society. Effective implementation of the Framework projects called for determined action to mobilize the requisite funds.

90. Turning to the medium-term programme framework, he welcomed the thematic initiatives aimed at facilitating market access, developing rural energy for productive use and assisting in post-crisis recovery and rehabilitation. He also welcomed the establishment of an informal consultative group to assist the Director-General in implementing the initiative on trade and market access facilitation.

91. He hoped that UNIDO would continue to recognize the special needs of SMEs, taking into account their heavy reliance on trading or distribution intermediaries for product development, marketing, raw materials, intermediate inputs and working capital.

92. **Mr. V. G. GARCIA III** (Philippines) said that the new UNIDO Representative in the Philippines had played an active role in developing assistance programmes for the country through coordination with governmental authorities and private-sector organizations. The Organization's activities in the country had been given additional impetus by the Director-General's visit in November 2002. A draft country service framework focusing on the development of SMEs, the environment and energy-related programmes had been produced and a UNIDO programming mission was shortly expected to visit the country to validate the draft with government partners, private organizations and other stakeholders.

93. The performance of the Philippine economy in recent years had exceeded even the Government's optimistic targets, largely owing to policies that had created a stable macroeconomic environment as well as structural and productivity-enhancing industrial reforms. Growth had been driven by manufacturing, mining and oil, construction and SMEs. UNIDO's Industrial Development Report 2002 recognized the country's remarkable progress in terms of industrial development during the past decade. He supported the plan to focus in the next Industrial Development Report on UNIDO's contribution to achievement of the Millennium Development Goals.

94. Regarding the implementation of the medium-term programme framework (IDB.27/17), his delegation appreciated the inclusion of the Philippines among target countries for important programmes such as those concerning cleaner production and technology foresight. It encouraged the Organization to finalize its plans for the implementation of the programmes concerned as soon as possible. The Philippines supported the revised proposal for the 2004-2007 medium-term programme framework, which should follow the programmatic lines of the current framework. With regard to the Joint Inspection Unit's recommendation for a long-term strategic plan, his country felt that the Business Plan and the medium-term programme framework served as adequate guides for the Organization. He urged the Secretariat to finalize its work on performance indicators and an evaluation system to analyse the effectiveness of UNIDO programmes in Member States.

95. He requested a report on action taken on the recommendations of the External Auditor, especially regarding the development of a results-based management system and the setting of clear lines of responsibility for the Comptroller General's Office and its internal oversight activities.

96. He supported the development of new initiatives to be launched at international development conferences and appreciated the practice of consulting Member States on the initiatives to ensure that they were in line with priorities.

97. The Philippine delegation to the recent meeting of the Global Environment Facility Council had expressed support for the restoration of UNIDO's privilege of

direct access to GEF funds, given its status as an "executing agency with expanded opportunities".

98. He encouraged the Secretariat to explore innovative repayment schemes for Member States in arrears. As most of them were developing countries, the proposal to introduce penalties might unduly burden the States concerned.

99. He thanked the Asian Group for supporting the Philippine candidacy for the post of External Auditor and asked Member States to give it their favourable consideration. He noted in that connection the Joint Inspection Unit's recommendation on term limits for the External Auditor in the light of the need to balance continuity and impartiality.

The meeting rose at 6.25 p.m.

Distr.
GENERAL

IDB.27/SR.3
11 September 2003

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 27 August 2003, at 10 a.m.

President: Mr. SREENIVASAN (India)

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V.03-87686 (E)

The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2002 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.27/2 and Add.1)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.27/12)

(a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003** (*continued*) (IDB.27/2, IDB.27/6 and IDB.27/8)

(b) **FINANCIAL SITUATION OF UNIDO** (*continued*) (IDB.27/10; IDB.27/CRP.7)

(c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES** (*continued*) (IDB.27/7 and Add.1)

(d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005** (*continued*) (IDB.27/4)

(e) **FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION** (*continued*) (IDB.27/2)

(f) **TRANSITION TO A SINGLE-CURRENCY SYSTEM** (*continued*) (IDB.27/9)

(g) **FOLLOW-UP TO REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 2000-2001** (*continued*) (IDB.27/6)

(h) **APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.27/5 and Add.1; IDB.27/CRP.2)

PROGRAMME AND BUDGETS, 2004-2005 (*continued*) (IDB.27/3)

1. **Mr. TAKASU** (Japan) said he concurred with the Director-General's positive assessment of UNIDO's stable financial situation.

2. The strategic guidelines for UNIDO adopted at the Board's previous session, which provided a framework for focusing technical cooperation and global forum activities on producing practical and useful deliverables in areas where the Organization had a comparative advantage, reflected the commitment of Member States to keeping UNIDO's activities in line with the objectives of the evolving international development agenda and, in particular, the Millennium Development Goals. UNIDO had a special role to play in strengthening the export capacity of developing countries and contributing to the Clean Development Mechanism established under the Kyoto Protocol.

3. The report of the Commission on Human Security, *Human Security Now*, which had been submitted to the Secretary-General in May 2003, was also of relevance to UNIDO. It stressed the importance of integrated action to address the various sources of insecurity, and its recommendations emphasized the need for protection and empowerment of people and communities.

4. Japan urged UNIDO to work for efficient and effective programme delivery in accordance with the strategic guidelines and to integrate the human security perspective into its programmes. He was encouraged by the Organization's response to date on both fronts and announced the approval of UNIDO's first project under the Human Security Fund financed by the Government of Japan: a post-conflict community empowerment project in the Sudan. It was expected that a further Fund project—to mitigate arsenic poisoning in Bangladesh—would shortly be approved. He hoped that UNIDO would continue to implement worthwhile projects aimed at overcoming economic insecurity.

5. UNIDO's active participation in major international conferences enhanced its profile as a development actor. Japan therefore counted on a strong UNIDO contribution to the Third Tokyo International Conference on African Development (TICAD III), to be held from 29 September to 1 October 2003, whose purpose was to support the New Partnership for Africa's Development (NEPAD). As a follow-up to TICAD II, Japan had provided support through UNIDO for the establishment of the Asia-Africa Investment and Technology Promotion Centre in Malaysia.

6. He welcomed the early agreement on the level and content of the budgets for 2004-2005 as a sign of greater stability and predictability of UNIDO's activities, and commended the Director-General on demonstrating a firm commitment to continuous improvement of the Organization's efficiency. He also welcomed the appointment of the Comptroller General. While the high collection rate was a manifestation of Member States' confidence, he was concerned that there had only been a marginal decline in the number of Member States with suspended voting rights. He urged those States and former Member States still in arrears to formulate payment plans and settle their debts as soon as possible.

7. **Mr. RATNA SHAH** (India) reiterated his country's commitment to UNIDO's activities, as was borne out by its regular payment of assessed contributions and annual voluntary contribution of

around US $1 million. Referring to agenda item 3, he noted the efforts to mainstream the Organization into intergovernmental and inter-agency processes, notably through active involvement in major international conferences. Such activities should serve to raise UNIDO's profile internationally, thereby facilitating resource mobilization and technology transfer to promote industrial development. However, it was important to guard against the risk of spreading the Organization's resources too thinly. UNIDO must realign its objectives to the changing needs of a globally integrated industrial environment. Stress should be placed on information and communication technologies (ICT) and their application for increasing the cost-effectiveness and competitiveness of small and medium enterprises (SMEs). UNIDO must launch programmes relating, inter alia, to ICT applications and programmes for encouraging innovation in developing countries. India could play an important role in helping UNIDO develop such programmes on account of the globally recognized skills of its software engineers. Their domain knowledge in most industry sectors could be made available to other developing countries. UNIDO must also prepare itself for futuristic fields of technology development such as bioinformatics and nanotechnology, in cooperation with countries like India and China. He hoped that the review of integrated programmes and country service frameworks would result in greater efficiency. An analysis of their impact would be useful.

8. UNIDO had been named a core agency for the implementation of the Global Compact in the SME sector. Some SMEs in developing countries failed to see a direct link between "corporate social responsibility" (CSR) and financial success. UNIDO should consider the following approach: identifying sectors in the SME context where improvements in CSR would increase business volume and productivity; developing clearly-defined and realistic approaches to CSR for SMEs in developing countries; promoting an understanding of the interplay between the different partners involved in the context of CSR in SMEs in the developing world, to avoid external protectionist pressures or culturally inappropriate approaches; providing training and tools to SMEs.

9. UNIDO should focus on its core strengths to attract more external donors. He noted the increase in project and programme approvals and in technical cooperation delivery per staff member, and the improvement in the leverage ratio. He welcomed the increased levels of funding resulting from the Organization's improved access to Global Environment Facility (GEF) funding, and hoped that the two thematic initiatives launched would mobilize resources relating to a defined set of activities.

10. He thanked the Director-General for his visit to India in March and April 2003, during which consultations had been held with representatives of the Government and industry. The enthusiasm generated by the visit should further strengthen UNIDO's cooperation with India.

11. The country service framework (CSF), which was aimed at maximizing the impact of UNIDO's activities through enhanced cooperation between the Organization, the Government and other agencies, was already in operation in India. UNIDO support for a number of industrial sectors in India was appreciated.

12. The Government of India planned to upgrade industrial infrastructure to make industries globally competitive and generate employment. It would welcome UNIDO's cooperation with a view to the adoption of best practices and technologies. Assistance was also needed in the adoption of cleaner technologies and the improvement of energy efficiency in various sectors.

13. Turning to agenda item 4, he expressed the hope that the Secretariat would clearly define the working relationship between the External Auditor and the Comptroller General's Office to avoid duplication of tasks and identify responsibilities. He welcomed the External Auditor's suggestions for results-based management, including the establishment of a performance management system.

14. Despite the gradual improvement in UNIDO's financial situation, the decline of the operational budget was a matter of concern. He urged the Secretariat to take the necessary steps to improve technical cooperation delivery, which had been lower in 2002 than in 2001, although he noted an improvement in the first two months of 2003 as compared with previous years. Efforts to secure payment of outstanding contributions and to seek innovative repayment schemes must be pursued.

15. With regard to item 4 (e) he was pleased to note the increased funding during 2002 through trust-fund mechanisms. The gradual increase in voluntary contributions was a sign of UNIDO's enhanced profile. The increased funding from GEF and other international organizations would complement the efforts of UNIDO to increase resource mobilization.

16. With reference to conclusion 2003/3 of the Programme and Budget Committee (PBC), he emphasized the need for further improvement in the volume and quality of technical cooperation delivery. He hoped that the informal consultative group on voluntary contributions would help to raise more funds.

17. **Mr. NAQVI** (Pakistan) commended the efforts made by Member States and the Secretariat over the past few years which had enabled UNIDO to overcome its difficulties and achieve stability and credibility. The Organization should now consolidate the progress it had made and focus on its fundamental objective of providing effective support for the industrialization of developing countries. The widening gap between rich and poor countries made it more urgent than ever to accelerate the process of industrialization. UNIDO had a crucial role to play in promoting industry-led economic growth and capacity-building in developing countries.

18. It was encouraging to note that the rate of collection of assessed contributions for 2002 had been 93.1 per cent, the highest rate since UNIDO had become a specialized agency. Nonetheless, the Organization still relied heavily on voluntary contributions, and his delegation therefore urged the donor community to provide more funds for the integrated programmes and called upon the Secretariat to redouble its efforts in that regard. Delivery of technical cooperation activities in 2002 had amounted to US$ 81.8 million, which was a higher figure than in 2000 but below the target of US$ 90 million for 2002. However, his delegation was pleased to note that the Organization's ratio of support costs to delivery was the lowest among the agencies of the United Nations system.

19. The Programme and Budget Committee had agreed at its nineteenth session to recommend a regular budget of 145 million euros for the biennium 2004-2005. It was to be hoped that the new staff recruited by the Organization would further improve the effectiveness of its activities. His delegation commended the action taken by the Director-General to implement the recommendations of the External Auditor and also welcomed the establishment of the Office of the Comptroller General to strengthen the internal oversight function.

20. Until recently, Pakistan had received only about 6 per cent of the funding required for activities under its integrated programme. However, he was pleased to report that the European Union and UNIDO had agreed on an initiative to support capacity-building in standardization, metrology and quality control in Pakistan. His Government was committed to the integrated programme, which enjoyed the support of many local stakeholders, and hoped that the new initiative would help to accelerate its implementation.

21. **Mr. MUHAMMAD AHMED** (Sudan), commenting on sub-items (b) and (e) of item 4, welcomed the increase in collection rates and urged all Member States to pay their assessed contributions in full and on time or at least to submit appropriate payment plans. The same applied to former Member States that were in arrears.

22. He commended UNIDO's fund-raising efforts, particularly on behalf of the integrated country programmes, one of which had been developed for the Sudan. His country was working hard to implement the programme as a move towards achieving sustainable development. As a mark of its support for UNIDO, the Sudan not only paid its contributions on time but had provided premises for UNIDO's office in Khartoum and cooperated fully with the UNIDO Representative in the country. The Sudan was deeply indebted to the UNIDO Representative and other staff members who had reformulated the Sudan's country programme to the satisfaction of both the Government and donors. Preparations had begun for a first meeting of donors in Khartoum in September 2003. He trusted that UNIDO would publicize its programme among prospective donors. The Government of the Sudan had undertaken to finance 20 per cent of the budget for the programme.

23. He thanked the Government of Japan for allocating some US$ 1.2 million to a development project to be implemented by UNIDO in the Nuba Mountains region, which had been severely affected by war and population displacement.

24. His country also appreciated the cooperation between UNIDO and the United Nations Food and Agriculture Organization (FAO) in preparing and implementing an SME development project in the Sudan. The purpose of the project, which was being financed by the United Nations Development Programme (UNDP), was to reduce rural poverty, settle displaced people and, in general, create the conditions for a decent life for the people of the Sudan.

25. Turning to the question of the medium-term programme framework, 2004-2007 (agenda item 7), he commended the Director-General's initiatives aimed at promoting the availability of rural energy for productive use. He also welcomed the new sustainable development programmes for developing countries, which were in line with the Millennium Development Goals and the decisions adopted in 2001 at the Third United Nations Conference on the Least Developed Countries (LDCs). The Sudan was submitting a draft decision, on behalf of the LDCs calling on UNIDO to continue to give priority to LDC interests in its various activities, focusing on effective implementation of the Brussels Programme of Action. He urged the Director-General to take the necessary steps to integrate the Programme into the Organization's activities and he trusted that all Member States would support the draft decision so that it could be endorsed by the General Conference.

26. Turning to agenda item 10 ("Personnel matters"), he welcomed the increase in the number of staff members from Africa, in the representation of Africa in senior posts and in the number of women professional

staff members from Africa. Nonetheless, the continent's aspirations for greater and more wide-ranging representation had not yet been fulfilled. Africa had not been represented among regular professional appointees during the period from May 2001 to May 2003, or among consultants recruited on international contracts. He urged UNIDO to seek a more equitable geographical balance in the Organization's professional and management staff.

27. With regard to agenda item 11 ("Consultations with non-member States"), he encouraged the Director-General to pursue his efforts to increase UNIDO's membership in order to strengthen the Organization.

28. **Mr. HARASIC** (Chile) expressed his Government's support for the Regional Programme on Technology Foresight for Latin America and the Caribbean, which was proving effective in fostering sustainable industrial development in the countries of the region. He suggested that a review should be carried out to compare that programme with similar programmes being implemented by other international organizations. His country, for example, had learned a great deal in that regard from its contact with the European Union and the Organisation for Economic Co-operation and Development (OECD).

29. **Mr. KIKINE** (Lesotho) said that his delegation attached great importance to the Organization's activities, particularly those which benefited the member States of the Southern African Development Community (SADC). UNIDO had been cooperating with Lesotho since the 1970s and had contributed significantly to the country's efforts to achieve sustainable industrial development. His Government fully concurred with the Organization's view that a firm financial basis and commitment on the part of members were required in order to achieve sustainability.

30. Following a visit by the Director-General to Lesotho in April 2002, Lesotho had submitted two new priority areas—cleaner leather production and sandstone cutting—for UNIDO to consider supporting through integrated programmes. The Government of Lesotho appreciated the Organization's continued guidance on how to meet the requirements for funding in those areas. A tannery expert had also visited Lesotho; regrettably, a second visit scheduled for July and August 2003 had not materialized. It was to be hoped that that visit could be rescheduled for a future date.

31. Action on the two priority areas identified would contribute to employment creation and poverty alleviation, two of his country's principal and long-standing development concerns. Lesotho had the necessary raw materials, and there would be a market for the products in question locally, regionally and beyond the SADC borders. Although the issues of employment creation and poverty alleviation had been addressed through a number of forums, his Government attached particular importance to the assistance provided by UNIDO in that regard.

32. **Mr. CABAÑAS RODRIGUEZ** (Cuba) expressed his delegation's satisfaction at the continued strengthening of UNIDO, which was gaining ever more credibility and consolidating its position as an effective agency for promoting sustainable industrial development. Cuba fully supported the Organization's activities, in particular the integrated programmes. It might be beneficial to carry out a comprehensive evaluation of results achieved over the past few years, with a view to providing other agencies in the United Nations system with a positive example of cooperation for development.

33. His country greatly appreciated the activities conducted under the integrated programme for Cuba, which had helped to improve quality in food manufacturing and had also boosted tourism, a vital sector of the country's economy. Other successful activities were those related to the development of renewable energy, the application of computerized techniques in clothing design, the promotion of foreign investment and environmental protection. A number of environmental activities carried out through the National Cleaner Production Network had also produced encouraging results. Cuba had demonstrated its commitment to environmental protection by hosting the Constituent Meeting for the Creation of the UNIDO Regional Cleaner Production Programme for Latin America and the Caribbean in Havana in March 2003. His country also supported the Organization's efforts to promote energy efficiency and identify alternative sources of energy.

34. **Ms. SABANO** (Observer for Uganda), noting that the Organization had improved its performance and restored its credibility in recent years, commended its efforts to strengthen cooperation with other organizations. She welcomed the agreement between UNIDO and the Global Environment Facility, which had contributed to the implementation of important international instruments such as the Stockholm Convention on Persistent Organic Pollutants and had also paved the way for a number of projects, including the establishment of National Cleaner Production Centres.

35. However, most developing countries still faced major problems. In Africa, for example, most countries were affected by persistent economic crises caused by the narrowness of the industrial base. Urgent action was needed to enable those countries to integrate into global trade, investment and technology flows.

36. UNIDO had made great progress in supporting developing countries in the fields of trade facilitation, market access and technology transfer. It had helped

Governments to design strategies for investment and technology promotion and to strengthen the relevant legal and regulatory frameworks. The Government of Uganda particularly appreciated the Organization's assistance in the designing of a national framework for food inspection and quality control. In addition, the improved funding arrangements for the Investment and Technology Promotion Offices had enabled developing countries to attract more resources and establish direct links between local entrepreneurs and potential investors.

37. The Organization's integrated programmes were designed to promote sustainable industrial development and poverty alleviation, in line with the United Nations Millennium Development Goals. The integrated programme for Uganda had helped to alleviate poverty, stimulate economic growth by promoting microenterprises and small enterprises (MSEs), and improve the competitiveness and sustainability of agro-industries. In addition, safety measures introduced in the fishing industry had led to the lifting of the European Union ban on fish exports, with the result that the fishing industry had become a major foreign exchange earner for Uganda. Small-scale entrepreneurs in the food-processing, textile and leather subsectors had also benefited from technical assistance and advisory services under the integrated programme, which had transformed the lives of many Ugandans.

38. Sustainability was a crucial aspect of the integrated programmes, and efforts were made to involve all stakeholders throughout the project cycle. However, the programmes were inadequately funded, and donors should therefore be encouraged to increase their voluntary contributions to UNIDO. In that context, her Government wished to express its gratitude to the Governments of Italy, Norway, Japan, Austria and Denmark, as well as the Organization itself, for their contributions to Uganda's integrated programme. The achievements of the first phase of the integrated programme had prepared the ground for implementation of the second phase. Her Government therefore reiterated its request to the Organization to extend its financial and technical support for the programme. Uganda had to date met all its obligations to UNIDO and would endeavour to continue to do so. She appealed to all Member States to honour their obligations.

39. Her delegation was concerned about the status of national and international experts who, in many cases, worked for UNIDO for a number of years but were not regarded as UNIDO staff members and were therefore barred from applying for posts that were classified as internal vacancies. In Uganda, the success of the integrated programme had greatly depended on the input of such experts. Their experience was not recognized or rewarded within the Human Resources Management Framework. Such experts should be allowed to apply for internal vacancies, perhaps after completion of a minimum period of continuous service.

40. Her delegation was pleased to note that UNIDO had already begun work in the context of the New Partnership for Africa's Development. The Organization had an important role to play in NEPAD, since one of the latter's aims was the eradication of poverty through the development of an industrial strategy, and her delegation encouraged UNIDO to continue its efforts in that regard.

41. **Mr. YEPES ALZATE** (Colombia) said that his Government had noted the establishment of informal consultative groups on trade and market access facilitation and on mobilization of funds. It was to be hoped that the work of those groups, combined with the efforts of the Organization as a whole, would help to secure the full payment of regular budget contributions and a significant increase in voluntary contributions. His Government also hoped that the groups would present specific projects for improving competitiveness and access to international markets. His Government fully supported UNIDO as a vital partner in achieving clean and sustainable industrial development in Colombia and other countries in the region.

42. In the current context of globalization, many countries were adversely affected by economic difficulties and inadequate industrial development. There was a need to find new economic approaches to meeting the needs of the people of such countries. In order to restore investor confidence and reactivate Colombia's economy, the Government had developed a national development plan for 2002-2006 which focused on policies and strategies for democratic security, growth and employment creation, closure of the gap between rich and poor, action on education and public administration reform. Those policies had put Colombia on the road to recovery, permitted the protection of all sectors of society and helped to re-establish State control in areas under the influence of illegal armed groups. The people of Colombia supported the Government's efforts to recover control of territory, defend national sovereignty, combat drug trafficking, organized crime and corruption, strengthen the judiciary and promote social development in deprived areas and areas of armed conflict. However, more support for those efforts was required from the international community and organizations such as UNIDO.

43. With a view to promoting economic and social progress, the Government had already provided the first billion pesos of microcredit out of the target of 5 billion pesos to be provided by 2006. It had also created 480,000 of the 1.5 million school places it planned to create. Such efforts, together with the UNIDO integrated programme for Colombia, had led to a significant improvement in the country's industrial capacity.

UNIDO had supported projects relating, for example, to centres for subcontracting and industrial cooperation, cleaner technology centres, technology foresight for small and medium enterprises, biotechnology and the development of production chains to generate employment in deprived areas.

44. Colombia hoped to receive support from UNIDO and from donor countries to help it continue on the path of development, particularly for the benefit of areas affected by violence.

45. **Mr. PAULINICH** (Peru) said that, in January 2002, the necessary resources had been approved for the Peruvian-Chilean binational project on integrated management of the Humboldt Current Large Marine Ecosystem. The project had an overall budget of US$ 16 million and was the first one in which UNIDO, as executing agency, had been responsible for the joint scientific and technical implementation of a GEF project.

46. In addition, during a visit to Vienna by the Peruvian Deputy Minister for Industry in April 2002, a project document had been signed for the provision of technical and financial support for the industrial information and statistics system, with a view to carrying out a census of manufacturing, handicraft and tourist service enterprises. The project would involve the exchange of knowledge among industrial enterprises and the provision of reliable information on national industrial production capacity and varieties of products, with a view to conducting market studies and promoting exports and investment in the manufacturing sector.

47. Another project document had been signed for a project to improve the technological capacity of Peru in the production, processing and marketing of alpaca fibres through the introduction of new technologies, the provision of training, the dissemination of information on technology and markets and the fostering of cooperation among enterprises.

48. In 2003, agreement had been reached with the Government of Italy for the financing of a programme to strengthen competitiveness and facilitate market access for clothing, ceramics, jewellery, leather and other products. Cooperation was also continuing on the implementation of the Regional Programme on Technology Foresight for Latin America and the Caribbean, to which his country attached great importance.

49. The new international context created many challenges for Peru. The country's main objectives were to alleviate poverty, strengthen the economy through job creation, promote private investment and integrate national production into the global economy. Peru hoped for the Organization's support in order to achieve those objectives.

50. Turning to agenda items 4 and 5, he expressed his delegation's support for all the draft decisions which had been recommended by the Programme and Budget Committee, in particular that contained in conclusion 2003/3, and urged all States Members to support their adoption. His delegation also welcomed the establishment of an informal consultative group on mobilization of funds since, although progress had been made in that regard, some programmes had not been properly implemented owing to lack of funds, despite careful planning by the Organization. It was incumbent upon all Member States to cooperate more closely with the Organization in order to raise the necessary funds for integrated technical cooperation programmes.

51. **Mr. SIRIBHAKDI** (Thailand) said that he welcomed UNIDO's constructive initiatives in support of small and medium enterprises in developing countries. Activities such as the "triple bottom line" demonstration project that had taken place in four Asian countries had demonstrated that SMEs could help to improve the quality of life of the people. Sufficient funding should be ensured for project implementation and project design should be tailored to the specific nature of SMEs in developing countries.

52. Turning to agenda item 4 (h) ("Appointment of an External Auditor"), he said that his delegation very strongly supported the candidature of Mr. Caragué, Chairman of the Philippine Commission on Audit, for the position of External Auditor of UNIDO.

53. Lastly, Thailand welcomed the Organization's involvement in other international forums, and hoped that UNIDO would be represented at the meeting of the Asia-Pacific Economic Cooperation Forum (APEC) to be held in Bangkok in October.

54. **Ms. TOUATI** (Algeria) expressed satisfaction with the efforts made to streamline UNIDO's activities and to improve coordination within the Organization itself and with other agencies of the United Nations system, efforts that would enhance efficiency and credibility.

55. Although she welcomed the collection rate of assessed contributions achieved for 2002, and the improvement in the financial situation in general, funding for integrated programmes remained a matter of concern. She hoped that more support could be obtained from Member States; in that connection, she expressed her Government's gratitude to the Government of Italy for the second substantial contribution it had made to the integrated programme for Algeria.

56. UNIDO's achievements, notwithstanding difficult times and inadequate funding, gave an indication of what could be done if the Organization was supported by all Member States. The interest aroused among Member States by the establishment of informal consultative groups on voluntary contributions and market access was an encouraging sign.

57. Algeria welcomed UNIDO's commitment to the objectives of the New Partnership for Africa's Development, and was pleased to note that the Organization was reviewing its activities in Africa with a view to focusing on sectoral priorities of the NEPAD programme. The initiatives launched by the Director-General in support of developing countries and LDCs at the International Conference on Financing for Development and the World Summit on Sustainable Development (WSSD), particularly those on venture capital and strengthening supply capacity, deserved support. The Board should be kept informed of action taken in that regard and of the results achieved. Algeria was very interested in the technology initiative launched by the Director-General at WSSD and wished to be kept informed of progress made in that area.

58. She was pleased to note that the regional and subregional dimensions had been integrated fully in UNIDO's activities for 2002, and drew attention to the UNIDO-Africa Investment Promotion Agency (IPA) Network in that connection. She welcomed UNIDO's portfolio of GEF-funded activities; Algeria, which had ratified the Montreal Protocol, was committed to the gradual reduction of ozone-depleting substances and was working with UNIDO to choose the most suitable replacements. It requested UNIDO's assistance in connection with its National Environment Strategy. It had recently organized an international conference on integrated waste management in partnership with the World Bank and with the collaboration of the European Commission, Germany, the United Nations Environment Programme (UNEP) and UNDP.

59. Algeria's integrated programme had recently been revised to include the promotion of an ecologically sustainable and clean environment. Her country attached great importance to the protection of the environment. The sixteenth World Congress of the Committee of Plastics in Agriculture was to be held in Algiers in December, and participation by UNIDO would be welcome.

60. The business partnership programmes launched in connection with small and medium enterprises should be extended to include more African countries. Collaboration with the Centre for the Study of African Economies (CSAE), University of Oxford, deserved support; Algeria was interested in benefiting from the training programmes for civil servants and researchers being organized under the agreement with CSAE.

61. Her authorities greatly appreciated the solidarity they had been shown in the aftermath of the earthquake that had hit Algeria in May. They were also grateful to the Director-General for sending a team of experts to assess the damage to industrial infrastructures and for his willingness to provide assistance in that connection.

62. **Mr. ZNIBER** (Morocco) said that he was encouraged by the Annual Report and its positive evaluation of UNIDO's activities. UNIDO had intensified its cooperation with other organizations in the United Nations system and with the Bretton Woods institutions and was developing its participation in the international debate on sustainable development and the eradication of poverty. UNIDO must play its full role as the agency for coordinating industrial development in the United Nations system, and should further enhance cooperation with other institutions to enable developing countries to face the challenges of globalization. The internal restructuring of UNIDO to increase transparency, accountability and management efficiency was welcome, and UNIDO should now seek to mobilize more funds for its programmes. While he welcomed the approval of new integrated programmes and country service frameworks, there was a substantial shortfall in the funds for those activities. Implementation was often affected by lack of funding. UNIDO should seek appropriate methods for the mobilization of funds and there should be closer three-way cooperation between the Organization, donors and recipient countries.

63. Tangible results had been achieved with regard to Morocco's own integrated programme. However, the main objective of increasing the competitiveness of Moroccan industries at the regional and international levels had not yet been attained. The priorities of the integrated programme needed to be reassessed. It was also important that financial partners should make funds available under flexible conditions so that UNIDO's strategy could be tailored to the needs of developing countries.

64. With regard to the interim report of the External Auditor (agenda item 4 (a)), he supported the introduction of the Comptroller General function and more rigorous internal monitoring of operations. It was to be hoped that the shortcomings identified in earlier internal audits would be rectified, and his delegation was pleased to note that the recommendations of the various audits were being followed up.

65. With regard to item 4 (b), he was encouraged by the fact that the collection rate of 2002 assessed contributions had risen to 93 per cent. Although about 50 Member States were still without voting rights owing to an accumulation of arrears, he hoped that the positive trend would create a climate of confidence enabling negotiated settlements to be found for all concerned. In addition, he trusted that the arrears from former

Members of UNIDO could be settled in the near future and that those Members could be reintegrated into the Organization, strengthening its financial position and its activities.

66. Concerning item 4 (e), his delegation was pleased to note that the funds allocated for projects and programmes approved in 2002 had risen by 9 per cent to US$ 93.4 million. The funding situation gave grounds for optimism regarding future cooperation programmes.

67. With regard to item 5, his delegation agreed that Major Programmes C and D should remain central priorities of UNIDO. The decrease in resources for those programmes was worrying and could have a detrimental affect on developing countries and on countries with economies in transition.

68. Morocco welcomed UNIDO's support for the NEPAD programme. The decision to open UNIDO field offices in Morocco and South Africa would further enhance African industrial development cooperation. The opening of the office in Morocco would improve the implementation of the integrated programme, and he urged the Director-General to intensify efforts to expedite the establishment of the office.

69. **Mr. DE LARA** (Observer for Mexico) said that his country attached great importance to UNIDO. The Organization's activities in Mexico were being strengthened and the Director-General's visit in June had provided an opportunity to establish contacts with the national authorities and representatives of the private sector. The field office in Mexico had recently been upgraded to a regional bureau, which would facilitate regional cooperation programmes. A number of regional projects in progress would benefit from UNIDO assistance, and the Organization's experience would be of use in identifying other initiatives that could benefit the poorest populations. Mexico would make every effort to ensure that the regional bureau was a success.

70. He welcomed the success achieved in increasing the level of voluntary contributions. Efforts should be continued to obtain more resources for technical assistance and return to the levels reached at the beginning of the 1990s. All Member States should meet their commitments to the Organization. Mexico welcomed the Director-General's initiative of establishing a working group to consider strategies to increase voluntary contributions and to attract countries that were not, or no longer, Member States of UNIDO.

71. The level of living and of development in the Latin America and Caribbean region had fallen considerably over the previous 20 years and there were areas in most countries where people lived in abject poverty. He requested the Secretariat to provide data on the situation in Latin America and the Caribbean to illustrate the conditions in the region and raise the awareness of the donor community. Mexico welcomed the recent steps taken to increase UNIDO's presence in the region. The local financial and political support given to projects attested to the readiness of the Governments of the region to implement projects with the Organization.

72. On agenda item 5, he noted that the proposed programme and budgets, 2004-2005, were similar to the programme and budgets for the current biennium. His delegation welcomed the changes, primarily of an administrative nature, made to increase transparency in the management of UNIDO, and the new programme to mobilize funds for technical cooperation. The efforts to take into account the financial difficulties of Member States were appreciated; it was clear that the global economic situation made it very difficult for countries to assume additional financial commitments. The proposed programme was consistent with the Business Plan and the strategic guidelines adopted at the last session. If UNIDO's technical cooperation activities were to be efficient, they must be concrete. Subjects of particular interest for each region should be included in the programme of activities. Mexico was pleased to note that the idea of developing capacities for negotiations aimed at gaining access to international markets had been taken up, as reflected in an initiative presented by the Director-General at the Monterrey Conference. UNIDO should take advantage of the potential of South-South cooperation in such matters, establishing regional programmes such as the one drawn up for Central America.

73. The approach taken in the current medium-term programme should be continued, subject to the identification of priority areas in the light of UNIDO's comparative advantages. UNIDO's presence and operational capacity should be strengthened to allow it to offer services in different regions of the world. Although the importance of devoting attention to less developed regions was recognized, the needs and potential of middle-income countries, a number of which were to be found in Latin America and the Caribbean, must also be borne in mind.

74. Mexico continued to support UNIDO in its efforts to consolidate its position as an efficient multilateral institution contributing, through technical cooperation activities, to clean and sustainable development and the eradication of poverty.

75. **Mr. TOUQ** (Jordan) welcomed the recent improvements in UNIDO's financial situation, the restructuring of the Organization and the administrative reforms. He trusted that the adoption of a results-based management system would lead to a linkage between UNIDO's strategic objectives and performance

indicators and would facilitate accurate monitoring of performance. He encouraged UNIDO to consolidate its contacts and coordination with other organizations of the United Nations system, especially in the field, in order to draw on their expertise and resources and to avoid duplication of effort.

76. He commended the Director-General's response to the recommendations of the External Auditor on the 2001-2002 financial year and the comments of Member States thereon at the previous session of the Board. He also welcomed the establishment of a post of Comptroller General and the transparency that had characterized recent managerial appointments. The Comptroller General should standardize internal auditing procedures and ensure systematic implementation of the recommendations set forth in the interim report of the External Auditor (IDB.27/6).

77. Four years after the adoption of the integrated approach to country support, there were clear signs of progress in the effectiveness of integrated programmes and country service frameworks. It was regrettable, however, that only 36.2 per cent of the requisite funding for integrated programmes had been forthcoming in 2002, with clear disparities between the different geographical regions. For example, Jordan had received only 51 per cent of the funds needed for its programme to enhance competitiveness in the food industry and to provide employment in remote regions. He therefore urged UNIDO to redouble its efforts to bridge the current financial gap, to press ahead with more of the activities envisaged in the approved programme for Jordan and to look into the possibility of realizing the proposed project for a clean production centre.

78. Noting that five of the six UNIDO offices in the Arab States were located in Africa and only one in Asia, he called on the Director-General to look into the possibility of improving the balance by opening an additional office in Jordan to attend to the future needs of Iraq, Palestine, his own country and the countries of the Arabian Gulf.

79. Welcoming the Director-General's report on the International Centre for Science and High Technology (IDB.27/22), he stressed the importance of supporting the Centre's programme for the transfer of advanced technology to developing countries. He thanked the Centre and the Permanent Mission of Italy for convening a conference in Trieste in September 2002. He urged the Centre to continue collaborating with UNIDO in supporting national integrated programmes, taking into account the needs and priorities of Member States.

80. He welcomed efforts to improve access to new industrial development technologies for developing countries and economies in transition in partnership with developed countries and the private sector. The results achieved should be publicized in international forums.

81. He welcomed the increase in the representation of women and of different nationalities in new appointments to UNIDO's staff and encouraged the Organization to pursue its efforts to increase the proportion of women professional staff members, especially from developing countries, and the range of nationalities occupying posts subject to geographical distribution.

82. He supported the consultations under way to broaden the membership of the Organization and the establishment of an informal advisory group chaired by Italy and India to discuss consultations with non-member States, voluntary contributions and payment of arrears. It was to be hoped that all Member States currently in arrears would eventually recover their right to vote. In any case, the States concerned should not be further penalized or deprived of UNIDO's services.

83. **Mr. SCHNYDER VON WARTENSEE** (Switzerland) commended the Director-General on UNIDO's financial situation, with the highest contribution collection rate ever and plenty of liquid assets in the regular budget. Efforts along those lines should be continued.

84. Switzerland had assisted in the establishment of a number of National Cleaner Production Centres (NCPCs) in Latin America, North Africa and Asia. He thanked the staff of UNIDO's Cleaner Production Unit, whose commitment had made the NCPC programme one of the cornerstones of sustainable development. He also expressed support for the new holistic sectoral approach aimed at strengthening cooperation within UNIDO. While he was satisfied with the results of the cleaner production programmes, there were areas which could be further developed. He urged that those cleaner production centres that were in the process of transition towards financial autonomy should be supported by UNIDO during the process. Two new cooperation programmes relating to cleaner production centres would be launched that year in Laos and Cambodia, and another was under preparation in Romania. In the area of industrial standardization, Switzerland was also preparing a cooperation project in Viet Nam to facilitate access to the market by strengthening capacities relating to metrology, testing and conformity. He urged other Member States to increase their voluntary contributions to UNIDO projects.

85. The Swiss Development and Transition Department had recently obtained ISO 9001 certification. He suggested that UNIDO might wish to consider ISO 9001 certification for its own management purposes, given that it actively encouraged ISO 9001

and ISO 14001 procedures in its own projects. Such a tool would undoubtedly improve its performance.

86. In the area of science and technology, Switzerland was proud to be hosting the first phase of the World Summit on the Information Society to be held in Geneva in December 2003. The Summit would provide an opportunity to discuss coordinated action to take advantage of the potential of information and communication technologies. Switzerland hoped that the Summit would help towards the attainment of the Millennium Development Goals and that all States would be represented at the highest possible level.

87. **Mr. CHO Chang-beom** (Republic of Korea) commended the Director-General on the many achievements of the past year: the stabilization of the financial situation, the streamlining of administration and the increase in the number of projects and programmes. Those activities had enhanced the efficiency of the organization and its relevance in the eyes of donors and beneficiaries. The year 2002 had been a year of "consolidation" for UNIDO, which had established itself as a pivotal role player in the international development community after four years of successful reform. He hoped that the momentum would not be lost.

88. He especially welcomed the expansion of the integrated programmes approach. The new programmes would help to promote capacity-building and competitiveness in developing countries. However, many programmes faced funding and implementation problems. An analysis of the reasons for the lack of success was required. His Government intended to continue to make voluntary contributions to certain integrated programmes where possible. He welcomed preparations by the Secretariat for integrated programmes in countries characterized by extreme economic and humanitarian hardship in the Asia and Pacific region. In line with its policy of peace and prosperity, the new Government of the Republic of Korea would consider extending its support with other donors to ensure the success of those integrated programmes. As the political and security situation began to improve in the region through the holding of multilateral talks, there was greater potential for UNIDO involvement. He expressed support for the Organization's thematic initiatives in areas such as trade facilitation. Trade facilitation was important for eradicating poverty in developing countries.

89. He commended the results-based management performance system introduced, and particularly appreciated the systematic and comprehensive character of the system, integrating four strategic indicators. Such reform measures should continue in order to enhance UNIDO's reputation as a relevant and results-oriented organization.

90. Although the Organization's financial situation had undoubtedly improved, with an unprecedentedly high collection rate for assessed contributions, the volume of outstanding payments and the suspension of voting rights of 50 Member States that were in arrears were a matter of grave concern. The Member States involved must meet their financial obligations in a timely manner and the Secretariat should step up its efforts to obtain payment of arrears. A further cause of concern was the decline in the delivery of technical cooperation activities. Although the figures for the first few months of 2003 were somewhat better, the Secretariat should pursue efforts to remedy the situation.

91. In conclusion, he pledged his Government's commitment to closer cooperation with UNIDO in the implementation of its mandates. In order to maintain UNIDO's truly universal character, major donor countries such as the United States, Canada and Australia should be encouraged to rejoin. The Director-General should strengthen dialogue with those countries to that end.

92. **Mr. CORDEIRO** (Observer for Brazil) said that Brazil was in the process of intensive consultations with the Director-General with a view to improving relations with UNIDO. His Government had a keen interest in revitalizing its working relationship with the Organization and was seeking to involve the various sectors of the national administration. As those efforts proceeded, it was hoped that in the near future agreement would be reached on a proposal for rescheduling payment of the significant amount of arrears in Brazil's contributions to the regular budget.

93. **Ms. TCHEKNAVORIAN-ASENBAUER** (Association of Former United Nations Industrial Development Experts (AFIDE)) said that economic and social conditions in developing countries, and LDCs in particular, as well as their ecosystems, were deteriorating. The need to follow up the recommendations of the World Summit on Sustainable Development had been stressed. The international community had noted that greater attention was being paid by African leaders to the implementation of the New Partnership for Africa's Development. That had been the theme of the Second Summit of the African Union, held in July 2003, where African Heads of State and major donors had made further commitments toward achieving sustainable development and poverty eradication on the continent.

94. Although the concessions granted by the European Union and the United States of America under the Cotonou Agreement and the Africa Growth and Opportunity Act respectively did not fully cover sensitive agricultural products, there was scope for African countries to increase their exports towards the countries concerned subject to the removal of current supply-side constraints. AFIDE welcomed UNIDO

recognition of the importance of productivity growth. However, in a competitive environment, and given the crucial role of information technology for industrial innovation, priority must be accorded to institution-building and human resource training. In connection with UNIDO's initiative to facilitate the participation of developing countries in trade and enhance their export competitiveness, stress must be placed on two key aspects: product promotion and product adaptation. To maximize the benefits of export expansion for African countries, UNIDO must also assist in the identification and development of new products.

95. AFIDE cooperated with a number of other organizations and, at a recent meeting in Paris, an agreement had been reached between the Francophone organization and AFIDE concerning cooperation on Africa-related programmes. The association wished the Board every success in its work and stood ready to cooperate with UNIDO in its endeavours.

The meeting rose at 1.15 p.m.

Distr.
GENERAL

IDB.27/SR.4
11 September 2003

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 27th August 2003, at 3 p.m.

President: Mr. GONZALEZ ANINAT (Chile)
later: Mr. EL-LAITHY (Egypt)
later: Mr. GONZALEZ ANINAT (Chile)

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V.03-87687 (E)

The meeting was called to order at 3.15 p.m.

IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, (IDB.27/17; IDB.27/CRP.6 and CRP.8)

(a) **UPDATE ON PREPARATIONS FOR THE BIOTECHNOLOGY FORUM** (IDB.27/15; IDB.27/CRP.10)

(b) **FIELD REPRESENTATION** (IDB.27/21; IDB.27/CRP.9)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (IDB.27/14; IDB.27/CRP.8)

1. **Mr. MORENO** (Italy), speaking on behalf of the European Union (EU) and the acceding and associated countries, said that document IDB.27/17 demonstrated the wide range of activities carried out by UNIDO under the medium-term programme framework, 2002-2005. However, the EU would have welcomed the inclusion of performance indicators. It attached particular importance to UNIDO's work on facilitating market access, or trade capacity building, and hoped that the informal consultative group that had been established would help the Organization to increase its effectiveness. The EU looked forward to receiving further details of the ongoing discussions with the World Trade Organization (WTO) on a joint programme of technical cooperation.

2. The EU thanked the Director-General for document IDB.27/CRP.10, providing further information on the preparatory process for the Global Biotechnology Forum to be held in March 2004, but regretted that the details concerned had not been made available before the beginning of the session. In view of the importance of the regional preparatory meetings to be held in Europe and Asia, the EU asked the Secretariat to consider whether they might be moved to an earlier date. It requested that regional conference documentation should be distributed as soon as possible and that the Director-General should hold a briefing on the subject no later than the second half of September 2003. UNIDO's participation in the Forum should be focused on its mandate, with a view to contributing to the Millennium Development Goals, and the Forum should have realistic objectives and produce useful outcomes related to that mandate, in line with United Nations General Assembly resolution 57/237. The EU also considered that the question of the kind of final document to be issued by the Forum should be addressed as a matter of urgency.

3. With regard to field representation, the EU urged the Director-General to pursue the decentralization process through a consolidation of pertinent divisions at headquarters and a transfer of authority to the field at both programme level, for example through the appointment of UNIDO Representatives as team leaders of integrated programmes and country service frameworks, and at the organizational level, in terms of a more appropriate field presence.

4. In view of existing budgetary constraints, the EU welcomed the fact that upgrading of the Mexico country office to a regional office would lead to a reduction in the number of country offices in 2003, and urged the Director-General to include the newly opened field offices in Morocco and South Africa in his deliberations regarding the gradual conversion of country offices into regional and subregional offices. It welcomed the decision to further decentralize Professional posts to the field, where that would improve the delivery of technical cooperation.

5. The quality of UNIDO Representatives had a considerable influence on the Organization's reputation in the field. Increasing the authority and responsibilities of field staff would help to persuade Headquarters staff that a field posting was a positive move and recognition of excellent performance. The EU therefore welcomed the decision to delegate more programmatic authority to UNIDO Representatives.

6. It encouraged UNIDO vigorously to pursue its policy of increased networking of field offices with Investment and Technology Promotion Offices, National Cleaner Production Centres and Sub-contracting and Partnership Exchanges. The field structure could also benefit from closer integration of United Nations system field offices. Increased cooperation with the private sector was welcome in that context. With regard to the proposals of the Joint Inspection Unit (JIU) in that regard and the Director-General's response, the EU would welcome a full discussion of the matter in preparation for the General Conference session.

7. The EU welcomed the systematic adjustment of integrated programmes and country service frameworks, in close cooperation with the countries concerned, to take account of funding expectations and implementation experience. It hoped that the Comptroller General's office would give priority to further elaboration and improvement of an indicator framework in that regard.

8. The EU supported the Director-General's preliminary proposals for the medium-term programme framework, 2004-2007, and looked forward to the comprehensive proposals to be prepared for the General Conference, taking into account recommendations by JIU and the External Auditor. It was confident that they would be in line with the Business Plan and the strategic guidelines adopted at the last session of the Board (decision IDB.26/Dec.7 to improve UNIDO

responsiveness to the needs of developing countries, especially the least developed countries (LDCs). They should also reflect the challenges set by the Millennium Development Goals, especially those that were in line with UNIDO's comparative advantages and ensured high "added value". The EU also encouraged UNIDO to give increased attention to the development needs of Africa as set out, in particular, in the NEPAD (New Partnership for Africa's Development) initiative.

9. The EU hoped that the corporate strategy being developed by the Director-General would incorporate a clear long-term vision for the Organization and would be available in time to allow Member States to discuss it prior to the General Conference session. It broadly supported the "thematic initiatives" concerning market access facilitation and the promotion of rural energy for productive use, and looked forward to receiving documents in due course relating to the third initiative, on post-crisis industrial rehabilitation. It welcomed the Director-General's statement in response to JIU that there was little likelihood of further initiatives being launched in the foreseeable future. Several EU countries had contributed to the relevant trust funds. They hoped that the successful implementation of funded projects would encourage additional funding. Practical technical assistance in the context of the initiatives should continue to be based on UNIDO's mandate and comparative advantage. The EU expected the informal consultative group on market access facilitation to make a useful contribution to the initiative and looked forward to the presentation of positive inputs to its next meeting.

10. The EU appreciated the Director-General's detailed account of activities related to the Global Environment Facility (GEF) and the Montreal Protocol, which indicated more stable cooperation between UNIDO and its partners. It encouraged the Organization to explore ways of reinforcing its cooperation with EU partners on industrial development issues and to examine the most appropriate way of organizing its liaison activities with the Union.

11. It also recognized UNIDO's efforts to strengthen inter-agency cooperation to improve the coordination of technical assistance delivery. It encouraged the Organization to continue to seek closer contacts with other international development actors, especially through support for relevant multi-stakeholder partnerships in the World Summit on Sustainable Development (WSSD) process. It also supported the inclusion of the private sector in the "business partnership programme" and UNIDO's work on "corporate social responsibility".

12. The EU welcomed the naming of UNIDO as the fifth core agency of the United Nations system in the Global Compact initiative as further acknowledgement of its SME expertise. It expected to be kept informed of developments in respect of the initiative.

13. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, expressed support for UNIDO's thematic initiatives relating to market access facilitation, the development of rural energy for productive use and assistance in post-crisis recovery and rehabilitation. He took note of the informal consultative group established to help in the implementation of the first initiative. He hoped that such activities would remain targeted at assisting the developing countries in meeting their development needs.

14. He supported UNIDO's efforts to strengthen links between its investment promotion activities and its environment and energy services, and the measures being taken to promote cooperation with development financing institutions and national and regional equity funds. He also supported the policy of taking into account the special needs of small and medium enterprises (SMEs), and the programmes to promote rural and women's entrepreneurship. The business partnership programme, the technology foresight programme and the promotion of South-South co-operation to facilitate transfer of appropriate technology were important in strengthening the industrial capacity of developing countries. The promotion of environmentally sustainable development strategies and technologies for the food, textile, leather, wood and agro-machinery sectors also deserved support.

15. He took note of the important activities being undertaken in connection with the GEF and the Montreal Protocol.

16. While recognizing the importance of global forum activities, he emphasized that such activities should be clearly focused on facilitating technical cooperation delivery. He trusted that UNIDO's active role in major development conferences would assist in meeting that objective.

17. He welcomed the launching of the "Industrial Development Report 2002/2003", which had generated interest among Governments, industry and support institutions.

18. The Global Biotechnology Forum, to be held in Chile in March 2004, which would bring together a wide range of representatives of the public and private sector, civil society and individuals, would promote the efficient transfer of biotechnology towards sustainable industrial development and the industrialization of developing countries. Successful regional preparatory meetings had been held in Africa and Latin America and the Caribbean. He encouraged the Secretariat to

press ahead with its preparations for the Asian regional meeting.

19. Field offices had a pivotal role to play in achieving UNIDO's overall objectives. They should take into account diverse regional situations and specific country needs while respecting the Organization's Business Plan and medium-term programme framework and the strategic guidelines adopted at the last session. Fund mobilization was an important responsibility, and field representatives should both act as catalysts and bring together stakeholders for industrial development. The UNIDO Exchange network should provide a more proactive platform for promotional and information activities.

20. He noted the revised proposals for the medium-term programme framework, 2004-2007, and expressed the hope that the ongoing review of technical cooperation delivery services would soon be completed and would lead to improved integration of programmes with the Organization's objectives, priorities and guidelines. He noted that the existing eight service modules would continue to provide the framework for UNIDO's services.

21. He called on the Director-General to promote initiatives pertaining to market access, development of rural energy and assistance in post-crisis recovery and rehabilitation. UNIDO should provide further assistance for the development of rural and women's entrepreneurship and foster the eradication of poverty. It should continue to build partnerships between the public and private sectors with a view to effective implementation of technical cooperation plans.

22. **Mr. LAL** (India), speaking on behalf of the Asian Group, said that the Group took note of the thematic initiatives pertaining to market access facilitation, development of rural energy for productive use and assistance in post-crisis recovery and rehabilitation, as well as of the informal consultative group on the first of those initiatives. It hoped that the activities concerned would remain focused on providing specialized assistance to developing countries in meeting pressing development needs. The Group supported UNIDO's efforts to strengthen links between its investment promotion activities and its environment and energy services as well as the measures to enhance cooperation with development financing institutions and national and regional equity funds. It welcomed the policy of taking into account the special needs of SMEs and supported the Organization's intention to give more weight to supporting rural and women's entrepreneurship. The business partnership programme, the technology foresight programme and the promotion of South-South cooperation to facilitate transfer of appropriate technology were important in strengthening developing countries' industrial capacity.

23. With regard to the aim of further development of cleaner production activities focused on UNIDO/UNEP (United Nations Environment Programme) National Cleaner Production Centres, the Group believed that the promotion of cleaner and advanced fossil-fuel technology and renewable and alternative sources of energy, especially in rural areas, of capacity-building measures for greenhouse gas reduction mechanisms and of environmentally sustainable development strategies and technologies for the food, textile, leather, wood and agro-machinery sectors were also commendable programme activities.

24. Cooperation with GEF would assist in the transfer of environmentally sound technology. The Group took note of UNIDO's activities related to the Montreal Protocol, which would cover a range of sectors in 27 countries in 2003.

25. While global forum activities were important, such activities should be focused and undertaken on a selective basis with the clear objective of facilitating the mobilization of funds and know-how needed for technical cooperation delivery. It trusted that UNIDO's role in major development conferences would help in meeting that objective.

26. The Group welcomed the launching of the "Industrial Development Report 2002/2003", which had generated interest among Governments, industry and support institutions.

27. Regional consultative meetings for the Global Biotechnology Forum had been held in Brazil and Kenya, and the Group urged that discussions on the venue and timing of the Asian regional meeting should be expedited. Such forums and emerging knowledge networks opened up opportunities for South-South cooperation. UNIDO had a long track record of promoting biotechnology for sustainable development and had been instrumental in the establishment of the International Centre for Genetic Engineering and Biotechnology (ICGEB) in the mid-1980s.

28. Effective decentralization and strengthened field representation would lead to timely and efficient service delivery with greater impact on the ground. Further decentralization of Professional posts from Headquarters to the field and the establishment of an improved rotation policy were needed. The Group took note of the ongoing efforts to build up field office capacity, to increase networking with Investment and Technology Promotion Offices and National Cleaner Production Centres and to improve access to headquarters information.

29. With regard to the medium-term programme framework, 2004-2007, the Group hoped that the ongoing review of technical cooperation services would

lead to improved integration of programmes with the Organization's objectives, priorities and guidelines. It also hoped that the organizational and programmatic transformation of UNIDO would lead to increased focus, efficiency and effectiveness in its work. In the light of the two central objectives of the Business Plan—strengthening industrial capacities and striving for cleaner and sustainable industrial development—the Organization's policy should be geared towards responding to a constantly changing international economic environment and to the special needs of its client countries.

30. The Group noted that the existing service modules would continue to provide the framework for UNIDO services.

31. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Group was pleased to note that the Secretariat had taken into account the strategic guidelines endorsed by the Board in decision IDB.26/Dec.7 in implementing the medium-term programme framework, 2002-2005. GRULAC took it that those guidelines and UNIDO's Business Plan would inform the strategy for adoption of the medium-term programme framework, 2004-2007.

32. In terms of content, the Group considered that biotechnology and technology foresight were core constituents of UNIDO's mandate and directly related to most current programmes. Cleaner and sustainable industrial development was a further priority and GRULAC took note of progress in the cleaner production programme in a number of countries in the region. The interest in establishing, coordinating and facilitating official international and regional cleaner production networks had been demonstrated at the regional meeting in Havana in March 2003, which had decided to establish a network for Latin America.

33. GRULAC commended the preparatory work undertaken by Chile, the host country, and UNIDO for the Global Biotechnology Forum to be held in March 2004, which promised to be an important event for the developing countries. The Group hoped that it would make a constructive contribution to the efficient and effective transfer of biotechnology in support of the sustainable industrial development of the developing countries. It thanked the Government of Brazil for its excellent organization of the preparatory meeting in July 2003 for Latin America and the Caribbean, which had also been attended by prominent figures from the international scientific and academic world. The Group requested the Secretariat to submit a report on its results as soon as possible and to press ahead with preparatory work for the Forum so that it fomented an exchange of ideas from which the entire international community could benefit.

34. With regard to field representation, GRULAC welcomed the conversion of UNIDO's office in Mexico into a regional office covering the countries of Central America and the Caribbean. It hoped that the three regional offices in Latin America and the Caribbean would be allocated sufficient human and financial resources to ensure effective decentralization.

35. GRULAC welcomed the creation of an informal consultative group on trade capacity building to advise UNIDO on assisting developing countries in strengthening their productive capacity, especially in terms of quality and standards, to facilitate access to world markets.

36. *Mr. El-Laithy (Egypt), Vice-President, took the Chair.*

37. **Mr. WOLDE** (Ethiopia), speaking on behalf of the African Group, expressed support for the Government of Chile's work in preparing for the Global Biotechnology Forum to be held in Concepción in March 2004. The Group welcomed the work of the regional preparatory meetings held, and commended UNIDO on all essential briefing sessions that had been arranged in connection with the Forum.

38. The Group attached great importance to field offices and the staff assigned. It strongly supported the Secretariat's efforts to improve service delivery both at Headquarters and in the field, and welcomed the steps taken to optimize the field offices and delegate authority to them, with a view to improving operations and programme implementation. It trusted that the envisaged opening of new offices on the African continent reflected an integrated strategy to further the Millennium Development Goals. It would appreciate more information on the proposal to compensate the cost of the creation of the new offices by the reduction of five posts in the regional offices (IDB.27/21, para. 15).

39. With regard to the medium-term programme framework, 2004-2007, the Group commended the Director-General for including new initiatives aimed at enhancing the development of rural energy for productive use. It welcomed UNIDO's efforts to broaden the scope of industrial development in developing countries, including specialized support for small and medium enterprises and the attempt to offer customized responses to the needs of Member States. UNIDO should further seek to assist rural and women's entrepreneurship development and foster the eradication of poverty, and should continue to build partnerships between the public and private sectors with a view to the implementation of technical cooperation plans.

40. Lastly, the Group urged UNIDO to cooperate fully with the International Centre for Science and High

Technology (ICS), and would welcome regular information in that regard in terms of outputs and their impact on the developing countries and countries with economies in transition.

41. **Ms. KAYIHAN-ERCIN** (Turkey) welcomed UNIDO's efforts to coordinate with other international agencies to define and focus its interventions in support of industrial development for market access, and took note of the memorandum of understanding between UNIDO and WTO related to the joint programme of technical cooperation. With regard to SME development and its impact on poverty alleviation, Turkey would be grateful for more information on the global training course on SME cluster development being formulated with the International Labour Organization (ILO) Training Centre at Turin. It was gratifying that UNIDO had been named the fifth core agency for the Global Compact and Turkey was confident that the Organization would make a useful contribution in that regard through its expertise in SMEs. Noting the importance of results-based management in maintaining effectiveness, Turkey urged the Secretariat to make use, as far as possible, of performance indicators in the formulation of the medium-term programme implementation report.

42. With regard to the preparations for the Global Biotechnology Forum, she requested the Secretariat to send out the invitation and documents for the regional meeting for Europe to be held during the tenth session of the General Conference as soon as possible, to encourage the widest possible participation.

43. On the subject of field representation, she said that the development of suitable performance indicators for integrated programmes and country service frameworks would contribute to the overall quality of services provided by UNIDO. The decision to pursue a systematic process for the adjustment of integrated programmes and country service frameworks was a welcome development and Turkey looked forward to further information in that regard. She noted from document IDB.27/21 that a proposal was being developed to streamline the field office network structure, taking into account factors including the greater demand for a UNIDO field presence. The effectiveness of UNIDO's field presence depended to a large extent on adequate levels of financing and the availability of qualified staff, and Turkey was pleased to note that UNIDO was seeking to minimize vacancies, further decentralize Professional posts from Headquarters to the field and establish an improved rotation policy. The systematic approach in the networking of field offices, Investment and Technology Promotion Offices and National Cleaner Production Centres was welcome.

44. Turning to the medium-term programme framework, 2004-2007, Turkey was pleased to note that the formulation of proposals would be based on the Business Plan and the strategic guidelines, while the precise content of the medium-term programme framework would depend on the outcome of the review process relating to technical cooperation and global forum activities and the field structure. The outcome of the review should be made available to facilitate evaluation of the programme framework. Turkey noted with satisfaction that UNIDO would be giving due attention to the evolving objectives and priorities of the international development agenda; the Organization should focus on LDCs and on Africa in particular. The thematic initiatives could provide tangible benefits to developing countries provided that they were carefully evaluated in terms of resource availability and the principles of comparative advantage. She noted that the aim of the thematic initiatives on market access, rural energy and post-crisis industrial rehabilitation was to create momentum across geographical boundaries and programmes. Turkey looked forward to receiving detailed information on the thematic initiative related to industrial rehabilitation of countries emerging from crisis situations, being piloted with a regional project for the rehabilitation of industrial enterprises in Afghanistan.

45. *Mr. González Aninat (Chile), President, resumed the Chair*

46. **Mr. SATO** (Japan) welcomed UNIDO's close cooperation with other international agencies with a view to focusing its activities in support of industrial development for market access, and noted the discussions in progress on a joint UNIDO-WTO technical cooperation programme. Japan hoped that UNIDO would play a significant role as the fifth core agency of the Global Compact responsible for small and medium enterprises (SMEs). It was pleased to note that UNIDO had invited relevant international organizations to participate in the International Steering Committee for the planning of the programme for the Global Biotechnology Forum and agreed that the Forum should focus on areas where UNIDO had a long-standing track record, for example the agri-food sector.

47. With regard to field representation, he said that Japan was following with interest the steps taken enabling regional bureaux and field offices to play a more proactive role in programme development and implementation, and looked forward to receiving information on the experience gained from the pilot cases in Latin America and the Caribbean, Europe and the newly independent States (NIS). While the proposals regarding the decentralization process contained in the Director-General's report (IBD.27/21) were reasonable, they should be improved further, particularly as budgetary constraints were expected in the future. Clearer timetables for the anticipated actions would also have been helpful.

48. Turning to the medium-term programme framework, 2004-2007, Japan commended UNIDO's efforts to comply with the stipulations of the strategic guidelines and looked forward to the comprehensive proposal to be presented at the General Conference.

49. UNIDO should continue to play its role in the effective implementation of the Brussels Declaration and Programme of Action adopted for the LDCs for the decade 2001-2010. The call for increased use of global funds, within the scope of UNIDO's mandate in the strategic guidelines, was highly relevant in that regard with a view to meeting the needs of the LDCs, as well as of other developing countries and countries with economies in transition.

50. **Ms. SOEHARSO** (Indonesia) expressed hope that the ongoing review of technical cooperation would be completed on the basis of the Business Plan and the strategic guidelines adopted at the last session, with a view to better integration of programmes and the highlighting of areas where comparative advantages existed. In the interests of continuity, UNIDO's services should continue to be provided within the framework of the eight service modules established under the medium-term programme framework for 2002-2005. Particularly important were agro-industries, small business development and investment and technology promotion in that regard. Her country supported UNIDO's efforts, through technical cooperation activities, to increase value added and enhance productive capacities for industries of importance to developing countries including the food, textile, leather and wood industries. Assistance should also focus on strengthening capacity-building in relation to technical regulations and standards to facilitate market access.

51. SMEs played an important role in reducing poverty, and UNIDO should continue to provide services in the area of small business development. Although the SME sector was relatively resilient in coping with global economic development, it faced some major challenges, including heavy reliance on trading or distribution intermediaries. Indonesia fully supported UNIDO's continued efforts to strengthen the capacity of SMEs in developing countries, which it hoped could be enhanced further through technology-based intervention.

52. Her delegation would support the continued use of integrated programmes and country service frameworks, and the development of thematic initiatives to address particular developmental challenges. Welcoming the efforts to strengthen supply capacities in developing countries, she said that UNIDO had an important role to play with respect to issues concerning trade and market access facilitation. Indonesia supported initiatives to enhance institutional capacity building and to overcome technical barriers to trade. The importance of standards and technical regulations would continue to grow, and UNIDO could play an increasing role in helping developing countries to upgrade their productive capacities in line with internationally recognized standards.

53. Lastly, Indonesia looked forward to the comprehensive proposal for the medium-term programme framework, 2004-2007, taking into account the UNIDO review process and the evolving international development agenda, to be presented to Member States at the forthcoming session of the General Conference.

54. **Mr. HARASIC** (Chile) expressed appreciation for the support received for the Global Biotechnology Forum to be held in Concepción, in his country. Recalling Board decision IDB.26/Dec.8, he said that the Forum had been widely supported by the Member States of UNIDO. Moreover, in its resolution 57/237, the United Nations General Assembly had invited the Director-General of UNIDO to include in his report to the Assembly a section on the outcomes of the Forum; that attested to the importance of the event. Chile was making every effort to ensure that the Forum would be a success and would contribute to the attainment of the Millennium Development Goals. The event would provide an opportunity for an in-depth analysis of the impact of biotechnology on developing countries and on countries with economies in transition, and would highlight the importance of the new technologies.

55. His Government was grateful to the Governments of Kenya and Brazil for organizing regional preparatory meetings for the Forum in Africa and Latin America and the Caribbean, and looked forward to the preparatory meetings for Asia and Europe. It was to be hoped that substantive proposals would be put forward reflecting a clear commitment to development.

56. Two members of his delegation were from Concepción and would be able to provide more detailed information on the preparations for the Forum.

57. **Mr. ELGUETA** (Chile) said that the Global Biotechnology Forum was to be held in the Bío Bío region of Chile, which had a population of approximately two million, and an economy based primarily on forestry, fishing and energy production. Biotechnology was considered to be a crucial area for regional development, and a biotechnology programme had been established to provide training and raise public awareness of the importance of biotechnology. A technical and planning commission and a logistics and economic commission had been set up for the organization of the Forum. A new convention centre (Sur Activo) was under construction for the Forum and would be inaugurated in October 2003. Other organizational aspects being addressed included accommodation, security, transport and cultural activities, and information was available on a specially

designed website. A private organization, the Regional Institute for the Administration of Enterprises (IRADE), which represented more than 50 companies and had extensive experience in such events, was assisting with the management of the Forum.

58. **Mr. MOISAN** (Chile) said that IRADE, of which he was the manager, was responsible for the financial management of the event, for general supervision of the producer who would be in charge of logistics and for providing support to the Executive Commission of the Forum. A national competition had been held to select the producer, and a company called "CMC", which had extensive experience in international congresses, had been chosen. The contract with the producer covered 18 items, including promotion of the Forum, organization of the convention centre and general logistical support, design of the hotel reservation system and transport systems.

59. **Mr. RODRIGUEZ CHACON** (Peru), referring to agenda item 6, said that the medium-term programme framework, 2002-2005, provided the basis for UNIDO to adapt to changes in the international economic situation and to promote appropriate technical cooperation initiatives. The strategic guidelines "Towards improved UNIDO programme delivery" (Board decision IDB.26/Dec.7) played an important role in its implementation. Priority areas such as South-South cooperation, measures to promote technology foresight activities, support for industrial development strategies and technologies in agro-industry, promotion of technology transfer, particularly in the areas of agriculture and biotechnology, and assistance to SMEs must be further developed by UNIDO in the coming years. In view of its biodiversity, Peru regarded biotechnology as one of its national development priorities. The Global Biotechnology Forum scheduled for 2004 was therefore an important event for Peru, as reflected by its active participation in the regional preparatory meeting held in Brazil.

60. He noted with satisfaction the restructuring of the field office in Mexico and hoped that UNIDO would assign offices in the region the resources required for their work. He also expressed appreciation of the work being done by the informal consultative group on trade capacity building.

61. With regard to agenda item 7, he said that the medium-term programme framework, 2004-2007, must be based on the Business Plan, the strategic guidelines adopted at the last session and other relevant documents, but leave scope for any adjustments that might be required to focus UNIDO's technical cooperation activities on areas which enhanced its comparative advantages.

62. **Mr. YEPES ALZATE** (Colombia) thanked Chile for its presentation on the Global Biotechnology Forum and pledged Colombia's support for that important event, which would undoubtedly be extremely beneficial for UNIDO, for developing countries and for the Latin American region in particular.

63. Referring to agenda item 6 (b), he said that Colombia was in favour of decentralizing the Organization, which would bring it closer to the real problems encountered in the industrialization process on the ground. The use of local human resources would give countries a sense of greater involvement in programmes. He welcomed the Director-General's decision to upgrade Mexico's country office to a regional office covering Central America and to reorganize the three offices in Latin America and the Caribbean. Taking into account the information presented by the Secretariat, he urged that the regional offices should be provided with sufficient well-qualified staff and their directors given the decision-making power required to implement the activities assigned to them. Otherwise, those offices would be unable to fulfil their purpose and UNIDO would miss an opportunity to establish its position in the United Nations system.

64. **Ms. UDVARHELYI** (Hungary), referring to agenda item 6, said that the first Technology Foresight Summit, held in Budapest from 27 to 29 March 2003, had been organized in close cooperation with UNIDO and had been co-financed by the Governments of Hungary and Austria. As a major component of the Regional Initiative on Technology Foresight for Central and Eastern Europe (CEE) and the Newly Independent States (NIS), the Summit had been planned as a flagship event to respond to the region's needs for development opportunities and to bring a focus more oriented to technology and innovation to national and regional decision-making. It had provided a platform for policy makers, business leaders and heads of research institutions to exchange ideas about development opportunities and challenges in the region. The programme of the Regional Initiative for 2003 and 2004 was currently under preparation. In line with the recommendations of the Regional Conference on Technology Foresight for CEE and NIS, held in Vienna in 2001, UNIDO was developing training capabilities on technology foresight at selected institutions in the region. The activity was based on four modules aimed at organizers of foresight, practitioners, decision makers and the business sector respectively. The first module had been hosted by the Budapest University of Economic Sciences and Public Administration.

65. As a result of the Technology Foresight Summit in Budapest, several Member States had decided to launch a national technology foresight programme. As a

participatory process which gathered intelligence and shaped visions for the medium to long term, technology foresight could be a very useful instrument for keeping decision makers well informed and mobilizing concerted action. Both the organizers and the participants were satisfied with the outcome of the Summit and the Government of Hungary stood ready to host such an event on a regular basis. Given Hungary's positive experience of the Regional Initiative, it looked forward to further cooperation with UNIDO and Member States and called upon the latter to participate actively too.

66. **Mr. LAL** (India), referring to agenda item 6, recognized the importance of global forum activities in raising UNIDO's profile. He hoped that the recently launched thematic initiatives and the informal consultative group on trade capacity building would focus on the mobilization of funds and know-how in providing assistance to developing countries. He supported steps being taken to enhance cooperation with development financing institutions and equity funds and commended UNIDO's approach based on taking the special needs of SMEs into account.

67. He took note of preparations under way for the Global Biotechnology Forum, including regional consultative meetings. He expressed appreciation of UNIDO's continuing efforts to promote biotechnology for sustainable development. In the mid-1980s, the Organization had been instrumental in the establishment of the International Centre for Genetic Engineering and Biotechnology (ICGEB), which should be closely involved in preparations for the Forum. Regarding field representation, he said that further decentralization of Professional posts from Headquarters to the field and the establishment of an improved rotation policy were required. He took note of efforts to that end, as outlined in document IDB.27/21.

68. With reference to the medium-term programme framework, 2004-2007, he hoped that the ongoing review of technical cooperation delivery services would be completed shortly and would serve to align the programmes more closely with their intended objectives, priorities and guidelines. He noted the Director-General's proposal that the existing eight service modules should continue to provide the framework for the services of the Organization in the near future.

69. **Mr. REZVANIAN RAHAGHI** (Islamic Republic of Iran) said that productivity growth was one of the main means of achieving development objectives, and that UNIDO services must focus more on enhancing productivity, while taking into account social and environmental aspects. Nevertheless, the Organization's efforts to develop a limited number of thematic initiatives aimed at providing specialized assistance to developing countries and countries with economies in transition was to be commended. Given the usefulness of developing an SME policy framework, particularly for women and for people living in rural areas, UNIDO should step up its activities in the area and recommend appropriate institutional arrangements to further SME policy measures and support programmes. Training courses on SME cluster development for policy makers and practitioners with a view to introducing cleaner and more efficient production methods could be very beneficial.

70. UNIDO had an important role to play in supporting capacity-building measures in connection with the implementation of the Climate Change Convention, the Kyoto Protocol and the Stockholm Convention on Persistent Organic Pollutants. Such involvement could lead to increased cooperation with many developing countries through expanded opportunities for GEF-funded projects. UNIDO's comparative advantage in some of those areas would enhance its profile worldwide.

71. He commended UNIDO initiatives to develop a strong rural energy programme, but considered that much more could be done. Programmes on renewable energy sources and providing rural off-grid communities with access to income-generating activities were some issues which UNIDO should work on. However, cleaner and advanced fossil fuels and the relevant technologies should not be underestimated by UNIDO in its activities, given high fossil-fuel consumption among poorer communities and its effects on health and the environment.

72. With regard to the medium-term programme framework, 2004-2007, he said that maximum effort should be made to ensure that it was based on the Business Plan and the strategic guidelines. It should also take into account the results of the review process under way as well as the international development objectives set by the Millennium Declaration, the Monterrey International Conference on Financing for Development and the World Summit on Sustainable Development. He hoped that due attention would also be paid to improving the coverage and effectiveness of services as well as responding to the changing needs of client countries. As for the thematic initiatives launched recently, an important factor to be taken into consideration was the potential offered by neighbouring countries and regions. That would not only foster political and economic ties but also facilitate access to financial and technological resources and services required for project implementation.

73. **Ms. FAJARDO DIAZ** (Cuba) welcomed the progress made in preparations for the Global Biotechnology Forum. UNIDO was well placed to take the lead in the field of biotechnology, particularly with

respect to agro-industry. It was thanks to UNIDO assistance dating back 20 years that Cuba had moved from being a recipient country to one that was now able to provide support in the field of biotechnology to the Organization and the international community. Cuba's experience could be repeated in other countries and regions. Cuba had contributed to preparations for the Forum by providing high-level scientific input and through its active participation at the regional preparatory meeting in Brazil. It was committed to the Forum and looked forward to the active participation of other Member States with delegations at an appropriate level. Under UNIDO leadership, biotechnology could prove a useful tool for the developing and developed world alike in tackling problems in various sectors, including food and health.

74. **Ms. CARRASCO MONJE** (Bolivia) said that the efforts of UNIDO directed towards supporting development strategies in the developing countries based on trade, new technologies and specialized technical assistance would help to further the global fight against poverty. She thanked the Managing Directors for information provided on the financial situation, technical cooperation and changes in the human resources management of the Organization. UNIDO had played an important role in different international forums with innovative ideas on harmonizing international trade and seeking equal opportunities.

75. Following the visit of the Bolivian Minister for Foreign Affairs and Worship to UNIDO in April 2003, relations between the Organization and her country had been relaunched with the implementation under the new Integrated Programme for Bolivia of a project concerning technological innovation for the processing of camelid-fibre textiles. Its main objective was to increase significantly the income of camelid breeders and individuals and small enterprises involved in the production, processing and marketing of camelid products. It was also intended to disseminate know-how and technology for a more efficient management of the supply and demand, thereby ensuring bettering marketing and export of camelid products. Another important aspect of the project was the introduction of more environmentally friendly means of production and processing.

76. Through the project, Bolivia would have easier access to the tariff advantages granted by the United States under the Andean Trade Promotion and Drug Eradication Act, which would have a significant social impact on rural areas, particularly the underdeveloped Bolivian Altiplano. Bolivia was satisfied with its renewed cooperation with UNIDO and hoped to be able to inform the Board and General Conference shortly about concrete results of projects being implemented.

77. **Mr. BENSELLAM** (Morocco), referring to agenda item 6 (a), reaffirmed Morocco's full support for the holding of a Global Biotechnology Forum in 2004 and welcomed the conclusions reached by the preparatory meetings that had been held. He stressed the importance of the application of biotechnology to increase the productivity, competitiveness and quality of industrial production in developing countries.

78. With regard to item 7, he said that the medium-term programme framework, 2004-2007, must be accompanied by initiatives relating to market access, rural energy and the rehabilitation of countries emerging from crisis situations. Based on the Business Plan and strategic guidelines adopted, the programme framework should also take account of the Millennium Development Goals and the recommendations of development conferences including the Third United Nations Conference on the Least Developed Countries, the Monterrey Conference and WSSD. He endorsed the initiative to provide special support to SMEs aimed at encouraging partnerships between the public and private sectors on technical cooperation matters.

79. **Mr. BETTI BERUTTO** (Italy), referring to agenda item 6 (b), said that he would like to say something about the relationship between the International Centre for Genetic Engineering and Biotechnology and the Global Biotechnology Forum. ICGEB was an independent intergovernmental organization with premises in Trieste and New Delhi, dedicated to research and training in the field of biotechnology, with special attention to the needs of the developing countries. Under a cooperation agreement approved in 1996, it maintained strong links with UNIDO, providing for consultations and exchange of information as well as joint activities in the areas of biotechnology, biosafety and bioethics. ICGEB was recognized by UNIDO as implementing agency for its activities concerning the technical and scientific aspects of biotechnologies and was one of the most advanced and up-to-date institutions in that specific area. For those reasons, one would have expected ICGEB to have been fully involved in preparations for the Forum from the outset. Although the Director-General of ICGEB had been invited to participate in his personal capacity in the International Steering Committee in charge of preparatory activities, that had not been followed up by any substantial involvement of the Centre in defining the tasks and scientific mandate of the Forum. The event would be an excellent occasion for providing the international community with important tools for the safe use of biotechnologies and their industrial applications. ICGEB could ensure scientific and technological follow-up to the Forum. UNIDO could take advantage of ICGEB experience in regard to analysis of the needs of the less developed countries, its training activities for scientists from the developing world and technology transfer. Italy was convinced that

ICGEB's involvement would contribute to the success of the Forum and requested the Secretariat to take the necessary steps to that end.

80. **The PRESIDENT** said that the organizers of the Global Biotechnology Forum were counting on the participation of ICGEB, which was acknowledged worldwide for its high scientific and professional standards. The Secretariat would take note of the Italian delegation's request and take the necessary steps as appropriate.

81. **Mr. KIM Chong-hoon** (Republic of Korea), referring to agenda item 6, commended UNIDO on the numerous activities undertaken in implementing the medium-term programme framework, 2002-2005, including those aimed at strengthening industrial capacities and achieving cleaner and more sustainable industrial development. He would appreciate it if the Secretariat would develop its reporting practice further in order to facilitate the objective assessment of the impact of such activities. He welcomed trade facilitation programmes to help developing countries meet quality and standards requirements and overcome technical barriers to trade, as well as continuing efforts in the area of investment promotion. Special training programmes to set up investment agencies and the work of the Investment and Technology Promotion Offices were particularly important. Also commendable was cooperation with financial institutions to follow up investment opportunities generated by UNIDO programmes. The Organization's initiatives relating to the promotion of technology transfer, especially in the fields of agro-related technology information and communications technology and biotechnology, were also welcome.

82. He endorsed UNIDO's view as to the increasing importance of SMEs in reducing poverty, and commended the policy of taking the special needs of SMEs into account and promoting women's and rural entrepreneurship as a way of fostering socio-economic development in developing countries. Of particular importance in assisting SMEs were the programmes focusing on cluster and network development to promote business partnerships in the private and public sectors.

83. Global forum activities had made a valuable contribution to UNIDO activities by strengthening its analytical capacity in the area of technical cooperation. He stressed the importance of periodic updates on the industrial development situation and key industrial statistics on all countries.

84. Referring to agenda item 6 (a), he welcomed the report on the progress of preparations for the Global Biotechnology Forum and recognized UNIDO's leading role in biotechnology in developing countries and transition economies. The Forum would create new opportunities for cooperation in the area and be a decisive factor in improving social welfare and ensuring environmental sustainability worldwide.

85. **Mr. RIPANDELLI** (International Centre for Genetic Engineering and Biotechnology) said that biotechnology offered extraordinary opportunities for solving problems related to health, nutrition and economic development, but that there was also concern about its possible impact on the environment, human dignity, local economies and traditional production methods. It was therefore essential to develop the capacities of developing countries in the field of biotechnology, while offering a forum for debate on the subject, to ensure that those countries could benefit from the advantages of biological research and address their problems in a safe and sustainable way. Issues provoking such controversial reactions as biotechnology had to be addressed with a maximum degree of neutrality. Technological oversight, risk assessment activities and risk management were therefore of vital importance, and developing countries needed to develop the capabilities to address those issues.

86. A Global Biotechnology Forum aimed at identifying the needs, constraints and difficulties facing developing countries in accessing modern biotechnologies was a laudable initiative, and he welcomed the acknowledgement in document IDB.27/15 of the experience gained by UNIDO in establishing, for that same purpose, the International Centre for Genetic Engineering and Biotechnology (ICGEB). The Centre was now an autonomous intergovernmental organization operating in close contact with other organizations in the United Nations system as a centre of excellence for research and training, with a special focus on the needs of developing countries and countries with economies in transition. The Centre was at the forefront of international scientific research in the fields of human health, agriculture, industrial development and basic science, and provided assistance on major biotechnology issues. ICGEB was a true success story for UNIDO, and had always enjoyed a close relationship with the Organization. It had decided to maintain its privileged relationship with UNIDO when it had become independent in 1996. An agreement had been signed between the two organizations providing for active collaboration and avoiding duplication of activities. In that connection, the two Secretariats had collaborated on technology foresight, particularly within the framework of the Technology Foresight Summit held in Budapest, Hungary, in March.

87. The Global Biotechnology Forum was an initiative of the greatest relevance. The Director-General of ICGEB had participated in the work of the International Steering Committee of the Forum, whose

members were committed to assisting the Government of Chile and UNIDO in their endeavour. ICGEB as an institution should also provide its own assistance. That would be in line with the agreement between ICGEB and UNIDO and the recommendation of ICGEB's Board of Governors that the Centre should be present at the Forum in its capacity as an international organization and play an active role in follow-up activities. ICGEB stood ready to provide UNIDO and its Member States with any assistance required to contribute to the success of the Forum.

88. **The PRESIDENT** said that there had never been any doubt about the Centre's participation in the Forum.

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (IDB.27/22)

89. **Mr. MORENO** (Italy), speaking on behalf of the European Union and the acceding and associated countries, said that the EU had taken note of the Director-General's report and was fully aware of the strengthened project-oriented strategy of the International Centre for Science and High Technology, which had been presented during the visit of Permanent Representatives to Trieste in September 2002 and the follow-up meeting held in Vienna. It was to be hoped that the project portfolios circulated among Member States would generate interest in possible funding, and the EU would like to be informed of developments in that regard before the forthcoming session of the General Conference. In order to consolidate its new project-oriented strategy, ICS would benefit from a statute, and a draft, modelled on statutes of other international organizations, had been approved by the Italian Government and submitted to UNIDO for clearance. It should be circulated among Member States with a view to possible consideration by the General Conference session.

90. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, encouraged the Secretariat to continue its cooperation with the International Centre for Science and High Technology, keeping Member States informed of the results of work in the areas of the selection, transfer and utilization of technology for the benefit of developing countries.

91. **Mr. LAL** (India), speaking on behalf of the Asian Group, welcomed the efforts to create synergy in the implementation of ICS and UNIDO programmes. The increasing cooperation was to be supported and the Group wished to encourage initiatives aimed at promoting programmes developed by ICS, such as the conference organized in Trieste in September 2002. The Group attached great importance to UNIDO's role in the transfer of technology to the developing countries and to countries with economies in transition, and recognized the need to establish centres of excellence for technology, focusing on national priority programmes and consistent with the integrated programmes.

92. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Latin American and Caribbean Group, requested UNIDO to continue working closely with the Centre and to keep Member States informed of the results achieved in the selection, transfer and use of technology for the developing countries. Noting the great potential of the Centre for less developed countries, including many in Latin America, he thanked the Government of Italy for its kindness in enabling Permanent Representatives to visit the Centre.

93. **Mr. FOSU** (Ghana) expressed satisfaction that the motivation for the establishment of the Centre had been the promotion of and assistance in the development, selection, transfer and use of technology in favour of developing countries and economies in transition. He welcomed the requests of several developing countries that ICS should promote projects for the establishment of technological centres of excellence focusing on national priority programmes and consistent with UNIDO's integrated programmes.

94. In the area of earth, environmental and marine sciences and technologies, scientific support should be given to the promotion of traditional medicine in Africa to boost health delivery and export. Developing countries as a whole and Africa in particular should take advantage of the Centre to promote the transfer of technology and put an end to the deficiency of technological development in the region. For the sake of its development, Africa must harness new and emerging technologies. ICS focused on new technologies that could reduce hunger and food insecurity and fight diseases. Such technologies could enable Africa to combat the devastation caused by HIV/AIDS, malaria and tuberculosis—the three leading causes of death in Africa. The adoption of new technologies should, however, be properly managed, through careful planning by regional and international organizations, Governments, the private sector and civil society, in order to minimize the risks. Given the right circumstances, advances in and dissemination of technology could further Africa's development. He hoped that, with UNIDO's assistance, that aim could be achieved.

The meeting rose at 6.05 p.m.

Distr.
GENERAL

IDB.27/SR.5
18 September 2003

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 28 August 2003, at 10 a.m.

President: Mr. GONZALEZ ANINAT (Chile)

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V.03-87688 (E)

The meeting was called to order at 10.20 a.m.

ORGANIZATIONAL MATTERS (continued)

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (*continued*) (IDB.27/22)

1. **Mr. BERTOGLI** (International Centre for Science and High Technology (ICS)) thanked all those who had expressed appreciation of ICS activities during the previous meeting. Such activities were in line with UNIDO's global strategy. ICS projects and programmes were being realigned with UNIDO's integrated programmes. Increasingly, ICS served as a specialized centre providing specific expertise in sectors including biodegradable plastics, new technologies and technology management. Emphasis was being placed on greater operational autonomy and the preparation and promotion of projects at national and regional levels, and a new draft statute was being prepared to strengthen the project-oriented strategy. Projects that had been finalized concerned: novel technologies for the treatment of waste water from agro-food production; recycling of waste-building materials; intervention on plastics waste management through biodegradable plastics; the establishment of ICS-associated centres with a focus on technology management, including tools for decision support. In connection with the latter, Senegal, Ecuador, the Philippines and Slovakia had formally requested ICS assistance.

ACTIVITIES OF THE JOINT INSPECTION UNIT (IDB.27/19 and Add.1 and 2; IDB.27/CRP.3)

2. **Mr. MÜNCH** (Joint Inspection Unit (JIU)) said that, for the sake of brevity, he would introduce orally only two of the seven reports submitted by the Joint Inspection Unit for the Board's consideration—the one addressed specifically to UNIDO and another concerning all the Vienna-based organizations of the United Nations system. The text of his statement on the remaining five reports, of system-wide scope, would be made available to delegations in due course. The report concerning management and administration in UNIDO, contained in document IDB.27/19/Add.1, could not have been prepared without valuable input from the Director-General and his staff as well as Member States. It addressed each item of UNIDO's management that JIU had felt should be examined, as the result of an in-depth evaluation tailored to the Organization. The core function of an external oversight organ was to identify where managerial improvements were possible and desirable and where the Board's guidance would be of assistance to the Director-General. Regarding the management structure of the UNIDO Secretariat, he said that, under the Constitution, the Director-General had the overall authority to direct the work of the Secretariat, which did not, however, preclude consideration of the current management structure with a view to recommending ways of optimizing it. It was considered that the Board of Directors deserved to be revitalized as a managerial instrument. The role of the Directors, in particular those serving in the field, should be strengthened, and their participation in decision-making should be reinforced. Delegation of authority in UNIDO could be regarded as a "best practice" in the United Nations system according to a JIU report on delegation of authority in the United Nations Secretariat issued in 2000. However, still more could be done, especially with regard to human resources management. A cautious approach had been justified during the recent critical phase in UNIDO's history, but the improvement in the collection of assessed contributions might encourage the Director-General to reflect on the possibility of enhanced delegation of authority.

3. With regard to planning, programming, budgeting, monitoring and evaluation, he said that the Business Plan had been important at the time of its adoption as an emergency-driven plan to determine UNIDO's immediate course of action. The time had now come to replace the Business Plan by a longer-term strategic plan, as had been done in other specialized agencies like the Food and Agriculture Organization of the United Nations (FAO).

4. Following the turbulence of recent years, human resources management was now heading in the right direction. However, some of the weak points of the past still needed to be monitored. For example, recommendation 15 (see document IDB.27/19/Add.1, "Executive summary") was targeted at consolidation following the restructuring processes and at improving staff confidence in managerial decisions affecting them. Recommendation 17 urged the Director-General to formalize a system of rotating core professional staff between Headquarters and the field. It was not simply a matter of emulating the United Nations—it was an important issue for UNIDO also. He welcomed the news that a rotation system was being developed.

5. On the subject of UNIDO's field presence, JIU considered that UNIDO should open a liaison office in Brussels, at the centre of the European Union's institutions, like other specialized agencies with a technical cooperation mandate. Such an investment would pay off in terms of improved fund-raising capabilities. Secondly, the missions of the Inspectors to the field had shown what a regional field office could achieve if it was properly staffed. Recommendation 20 suggested strengthening existing regional offices according to their specific needs, reducing the staffing of regional bureaux at Headquarters and closing some country offices in consultation with the Member States concerned. That recommendation reflected the concerns expressed by many staff members consulted. The regional bureaux at Headquarters were important, but it

was in their own interest to supervise a strong, well-equipped and well-functioning field presence.

6. The twenty-fourth session of the Industrial Development Board had endorsed a pilot scheme on the handling of Joint Inspection Unit reports, as outlined in document IDB.24/18. According to the scheme, the Director-General should express his view as to which recommendations he deemed acceptable and invite the Board to take action as appropriate. However, in the Director-General's comments contained in document IDB.27/19/Add.2, it was merely proposed that the Board "take note of the information provided". He appealed to the Secretariat to implement the pilot scheme fully.

7. The JIU report on "Common and joint services of the United Nations system organizations at Vienna" (JIU/REP/2002/12) warranted serious consideration by Member States and the UNIDO Secretariat given that the strengthening of common services was one of the eight strategies proposed for the enhancement of support capacities by the United Nations Secretary-General. He drew particular attention to recommendation 1, which proposed the establishment of a single common services administrative unit under the management of the United Nations Office at Vienna (UNOV). The current allocation of common services among UNIDO, IAEA and UNOV was far from equitable, with UNIDO carrying a disproportionately large responsibility by virtue of its management of the Vienna International Centre (VIC) building complex. Significant financial, managerial and operational efficiency gains could be achieved under the proposed new allocation. In 1998, the UNIDO Secretariat itself had proposed transferring responsibility for the Buildings Management Service to another Organization to allow it to concentrate on its core functions. The Director-General made a comment along similar lines in document IDB.27/19/Add.2. A single common services entity under the management of UNOV would remove many of the weaknesses identified and further the development of the common services in areas such as procurement, information and communication technology and human resources management.

8. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, said that a comprehensive evaluation of JIU's review (IDB.27/19/Add.1) and the Director-General's comments thereon (IDB.27/19/Add.2) would require more time and clarifications by the Secretariat, and the study of the actual recommendations. An in-depth discussion on the matter could be undertaken during the forthcoming General Conference session. It had taken an unusually long time—six years—for the JIU to submit its review and some of the recommendations and observations made had become obsolete. He understood that UNIDO had already taken cognizance of some observations in the meantime, and that in many cases there would be follow-up action. Nonetheless, the Group expected the Secretariat to take into account JIU observations, where applicable, to improve the programmatic, financial and managerial efficiency of the Organization.

9. **Mr. BETTI BERUTTO** (Italy), speaking on behalf of the European Union (EU) and the acceding and associated countries, called upon the UNIDO Secretariat to discuss the JIU report on "Common and Joint Services of United Nations system organizations at Vienna" fully with the other Vienna-based organizations so as to identify ways of improving the efficiency and cost-effectiveness of joint operations. The organizations should consider the possibility of carrying out a feasibility study on the recommendation for the establishment of a single common services administrative unit during such discussions. The study should focus on whether different arrangements, including outsourcing, might be more cost-effective for individual organizations as well as for the Vienna-based organizations as a whole. The EU felt strongly that there should be no direct or indirect subsidies of the catering services and called upon UNIDO to eliminate any remaining subsidies as soon as possible.

10. Given the late submission of the JIU report and the Director-General's comments thereon, he suggested that a more detailed discussion should take place after the current session, perhaps through an informal mechanism of consultation with Member States, in which JIU should be invited to participate. An item on the subject could be added to the agenda of the forthcoming General Conference session.

11. **Mr. LAL** (India), speaking on behalf of the Asian Group, said that more time was required for a thorough study of the relevant documentation on the activities of the Joint Inspection Unit, and it would be premature to make detailed comments at that juncture. He suggested that an in-depth consideration of the subject might be undertaken at the forthcoming General Conference session, following a comprehensive evaluation of the documentation and clarifications by the Secretariat.

12. **Mr. WOLDE** (Ethiopia), speaking on behalf of the African Group, said that the Group took the JIU reports very seriously, but that sufficient time was required for their thorough consideration. It would be appreciated if the Secretariat could arrange briefings and consultations on the subject at a convenient time for all parties concerned.

13. **Ms. KAYIHAN-ERCIN** (Turkey) said that, in the light of the comment by JIU that the current allocation of common services among Vienna-based organizations was far from equitable for UNIDO, the Secretariat should be encouraged to carry out

consultations with the other organizations concerned to seek the best solution. In that connection, she looked forward to the further elimination of all catering subsidies by UNIDO. Concerning the Director-General's comments on JIU recommendations 6 and 9 (IDB.27/19/Add.2) relating to the review of UNIDO's management and administration, she took note of steps taken by the Secretariat towards results-based management and of the corporate strategy document that was being distributed, with information on the approach UNIDO intended to adopt in response to the challenges of sustainable industrial development.

14. In connection with JIU recommendations 12 and 13 (IDB.27/19/Add.1), the timely payment of assessed contributions and the availability of voluntary contributions were crucial for the success of technical cooperation activities. Turkey participated in the informal consultative group on voluntary contributions and hoped that it would achieve fruitful results. Concerning the recommendation to open a liaison office in Brussels, she noted the Director-General's comment that the current arrangement was considered satisfactory given UNIDO's financial limitations. Nonetheless, she shared JIU's view that it might be useful to examine the matter further. With respect to recommendation 19, she highlighted the importance of recruiting professional staff on a wide geographical basis, while promoting gender balance. In that connection, the timely communication of vacancy announcements to Member States was important.

15. **Mr. OTA** (Japan) said that the JIU report on management and administration in UNIDO contained important recommendations. However, he shared the Secretariat's view that improvements were continually being made and that some of the recommendations had already been taken care of or had become irrelevant. For instance, recommendation 6 stressed the need for a strategic plan for the Organization. The strategic guidelines adopted at the last session clearly spelled out the areas of focus for technical cooperation activities and key issues in providing such services. He commended UNIDO on translating those guidelines into a corporate strategy, which he hoped would provide clear linkages between strategic objectives and programmes.

16. Recommendation 17 encouraged the introduction of a system of rotation of core professional staff between Headquarters and field duty stations. He had been pleased to learn during the current session that such a system was being developed. The combination of local knowledge with expertise from Headquarters could only benefit recipient countries by ensuring efficient service delivery and impact on the ground. With respect to recommendation 19, he was aware of UNIDO's continuous efforts to recruit staff at the Professional level on a wide and equitable geographical basis and the commitment to addressing gender imbalance in all categories of posts.

17. Concerning recommendation 21, he said that notable progress had been made in the field of oversight with the establishment of the Office of the Comptroller General in June 2003. He hoped that the staffing profile of the Office would be further strengthened both in skill set and size, as felt necessary.

18. UNIDO had made a number of reforms, and he hoped that the reform process would be continued with a view to improved programme delivery.

19. **Mr. LAL** (India), referring to the Director-General's comments on JIU's various recommendations, noted that the focus of the three thematic initiatives undertaken recently was to improve fund mobilization and that further initiatives were not currently under consideration. The Office of the Comptroller General would be the focal point for coordinating the development of performance indicators. Regarding decentralization, he looked forward to the report of the commission that had been set up to examine the issue of decentralization and to make concrete proposals. He welcomed the trend in the recruitment of professional staff in terms of improved geographical and gender balance.

PERSONNEL MATTERS (IDB.27/2 and IDB.27/16; IDB.27/CRP.4)

20. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, said that the Secretariat should continue to strive for improved gender balance and equitable geographical distribution in recruitment. Moreover, vacancy announcements should be issued to Member States in a timely manner allowing more time for making nominations. The growing representation of female Professionals from the developing countries in the UNIDO Secretariat was appreciated. However, nationals of the Group of 77 and China were not sufficiently well represented in the Professional category and among UNIDO international consultants, and he urged the Secretariat to remedy the situation. It was hoped that, with the allocation of additional funds during the next financial biennium to accommodate salary increases, the current high vacancy ratio in the UNIDO Secretariat would be reduced. That should lead to greater output and organizational efficiency and increased technical cooperation delivery. He supported the increased emphasis on human resource management in the Organization, including job-related training for its staff.

21. **Mr. LAL** (India), speaking on behalf of the Asian Group and referring to document IDB.27/16, noted with satisfaction the trend towards more balanced

geographical and gender representation among Professionals. That trend should be maintained. The Group attached great importance to the conditions for the posting of staff to field offices. The prospect of losing fringe benefits might be a concern for staff posted away from Headquarters, and the Secretariat might wish to consider developing greater incentives in that regard. The Secretariat was requested to examine whether the number of staff posted in field units was appropriate, to strengthen the latter and to reduce staff at Headquarters.

22. **Mr. WOLDE** (Ethiopia), speaking on behalf of the African Group, commended the Director-General on his report on personnel matters (IDB.27/16). Efforts should be intensified to strive for equitable regional representation and to remain sensitive to gender balance issues in the interests of the Organization, without jeopardizing the quality of its human resources. The Group felt that its representation at Headquarters and in the field, particularly at senior level, was not commensurate with the size and population of Africa. It also expected African women to be given better employment opportunities at UNIDO. It urged the use, as appropriate, of local experts, who were likely to have better solutions to problems on the ground as they were familiar with the specific needs of the area in question. While recognizing the efforts for greater transparency in the employment process, the Group considered that longer deadlines should be set for vacancy announcements, especially for senior positions. That would give Member States more time to apply and also obviate the need to reissue announcements, thus making savings for the Organization. The Group commended the Director-General's efforts to introduce a modern management system and agreed on the need for attention to career development, the dispensing of merits and awards and salary levels based on the contributions of individuals and teams. However, the utmost care should be taken not to demoralize employees or encourage negative attitudes as a result of unnecessary competition.

23. **Mr. LEE Jae-wan** (Republic of Korea) said that, while he welcomed UNIDO's progress over the previous biennium in pursuing a recruitment policy designed to improve gender equality and geographical distribution, the percentage of staff representing Asian countries at the senior Professional level remained comparatively low. He urged the Secretariat to redress the balance.

CONSULTATIONS WITH NON-MEMBER STATES (IDB.27/20)

24. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, expressed appreciation of the efforts made to initiate talks with several non-Member States, which he hoped would have a positive outcome. He welcomed the establishment of a working group to pursue the matter of widening the membership of UNIDO along with the question of mobilizing more funds.

25. **Mr. LAL** (India), speaking on behalf of the Asian Group, welcomed UNIDO's efforts to initiate membership talks with various non-Member countries, and expressed appreciation for Member States' efforts to assist in that regard. The Group supported the establishment of a working group to pursue the matter of widening the membership, along with discussions with a view to increasing voluntary contributions and the recovery of arrears in assessed contributions.

26. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Latin American and Caribbean Group (GRULAC), welcomed the consultations with non-Member States aimed at increasing the membership of UNIDO. The Organization should continue its efforts in that regard, making use of its offices in New York and Geneva where necessary. GRULAC supported the recently established informal consultative group, which would be useful in encouraging new and former Members to join the Organization.

27. **Mr. WOLDE** (Ethiopia), speaking on behalf of the African Group, welcomed the consultations held with a view to widening the membership of UNIDO, and urged that efforts in that regard be continued. The African Group would fully support the co-chairs of the consultative group.

28. **Mr. LAL** (India) supported efforts to initiate membership talks with non-Member States and welcomed the establishment of the informal consultative group seeking to increase voluntary contributions and widen the membership base of UNIDO through discussions with non-Members and former Members.

29. **Mr. ZNIBER** (Morocco) expressed support for UNIDO's tireless efforts to encourage non-Members or former Members to join the Organization. In that regard, he welcomed the establishment of the informal consultative group, in which his delegation participated actively, and was confident that positive results could be achieved.

30. **The PRESIDENT** said that there was a clear consensus on the need to strengthen UNIDO as much as possible by bringing in new Members. New Members could contribute fresh ideas and facilitate international cooperation aimed at solving the major problems affecting mankind.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.27/18)

31. **The PRESIDENT** said that the Bureau had examined the application contained in document IDB.27/18, from the World Federation of Free Zones (FEMOZA) and found it to be in order. He would be presenting a draft decision on the subject to the plenary for its consideration.

32. **Mr. WOLDE** (Ethiopia), speaking on behalf of the African Group, said that the private sector was an engine of development, directly contributing to the efforts to reduce poverty in Africa. An increase in UNIDO's efforts to strengthen the capacity of the private sector and cooperate further with the sector would be welcome. In that connection, the Group was pleased to note that UNIDO would be seeking to address priorities of the New Partnership for Africa's Development (NEPAD), and welcomed the recognition that NEPAD now received from multilateral forums. It was also encouraged by the willingness of the global community to cooperate with Africa in the pursuit of mutual benefits.

33. Lastly, the Group noted with interest UNIDO's cooperation with the World Federation of Free Zones, and hoped that the decision to grant FEMOZA consultative status would have a positive impact for Africa.

34. **Mr. LETHMAYER** (Austrian Senior Experts Pool (ASEP)) considered that UNIDO should develop a plan for promoting building materials and construction technologies worldwide. Such technologies were labour-intensive and utilized local, environment-friendly materials to create better homes and infrastructure, reducing expensive imports and transport. Construction was the foundation of industrial development, and ASEP was prepared to invest in that sector for the benefit of developing countries.

PREPARATIONS FOR THE TENTH SESSION OF THE GENERAL CONFERENCE (IDB.27/13)

35. **Mr. BETTI BERUTTO** (Italy), speaking on behalf of the European Union and the acceding and associated countries, said that it had not been possible to have a focused discussion in the Board on the JIU review of management and administration in UNIDO, owing to the late arrival of the documentation. He therefore suggested that the item be added to the agenda of the tenth session of the General Conference.

36. **Ms. NORIEGA URIZAR** (Guatemala), speaking on behalf of the Latin American and Caribbean Group, suggested that, at the coming Conference session, round tables should be organized to enable high-level representatives from the different regions to present the technical cooperation priorities of their regions with a view to mobilizing the necessary financial and technical resources. In addition, the Group suggested a presentation of the results of the technical cooperation programmes of UNIDO in the different regions, to increase the Organization's visibility.

37. **Mr. YEPES ALZATE** (Colombia) said that his Government would like to host the eleventh session of the General Conference of UNIDO in Cartagena at the end of 2005. The national authorities were taking the necessary steps and he would appreciate the assistance of the UNIDO Secretariat and the support of Member States in that connection.

38. **The PRESIDENT** said that he was confident that any such event organized in Colombia would be a success.

PROVISIONAL AGENDA AND DATE OF THE TWENTY-EIGHTH SESSION (IDB.27/CRP.5)

39. **Ms. ORLOWSKI** (Secretary of the Board) said that the proposed dates for the next session were 25-27 May 2004. A draft decision was being discussed in informal consultations.

The meeting rose at 11.50 a.m.

IDB.27/SR.6

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GENERAL

IDB.27/SR.6
18 September 2003

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 28 August 2003, at 3 p.m.

President: Mr. GONZALEZ ANINAT (Chile)

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V.03-87689 (E)

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The meeting was called to order at 3.15 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.27/L.2-L.13)

1. **The PRESIDENT** said that a number of draft decisions, contained in documents IDB.27/L.2-L.13, were submitted to the Board for consideration. They had been the subject of informal consultations chaired by Ms. Ramis-Plum (France).

2. **Ms. RAMIS-PLUM** (France), speaking as chairperson of the informal consultations, said that consensus had been reached on all the draft decisions. The draft decision relating to agenda item 10 (IDB.27/L.7) had been provisionally approved pending more complete information on the nomination of candidates for election to the UNIDO Staff Pension Committee for the biennium 2004-2005. She was now in a position to propose that the second candidate to be recommended as alternate member of that Committee should be Ms. Vesna Vucović (Croatia).

3. She thanked the Swiss delegation for having agreed to the withdrawal of the draft decision proposed by it concerning a study on the usefulness of ISO 9001 certification of UNIDO. It was proposed that an information meeting should be held on the matter, possibly during the forthcoming General Conference session, with the participation of the Secretary-General of the International Organization for Standardization.

4. **The PRESIDENT** thanked the chairperson and all those who had participated in the informal consultations for their work. He hoped that the draft decisions would be adopted swiftly by the Board.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2002 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.27/2 and Add.1)

5. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

6. *It was so decided.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.27/12)

(a) INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003 (*continued*) (IDB.27/2, IDB.27/6 and IDB.27/8)

7. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

8. *It was so decided.*

(b) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.27/10; IDB.27/CRP.7; IDB.27/L.2)

9. **The PRESIDENT** drew attention to draft decision IDB.27/L.2.

10. *The draft decision was adopted.*

(c) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (*continued*) (IDB.27/7 and Add.1; IDB.27/L.3)

11. **The PRESIDENT** drew attention to draft decision IDB.27/L.3, entitled "Scale of assessments for the fiscal period 2004-2005".

12. *The draft decision was adopted.*

(d) WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005 (*continued*) (IDB.27/4; IDB.27/L.4)

13. **The PRESIDENT** drew attention to draft decision IDB.27/L.4.

14. *The draft decision was adopted.*

(e) FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION (*continued*) (IDB.27/2)

15. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

16. *It was so decided.*

(f) TRANSITION TO A SINGLE-CURRENCY SYSTEM (*continued*) (IDB.27/9; IDB.27/L.5)

17. **The PRESIDENT** drew attention to draft decision IDB.27/L.5.

18. *The draft decision was adopted.*

(g) FOLLOW-UP TO REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.27/6)

19. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

20. *It was so decided.*

(h) APPOINTMENT OF AN EXTERNAL AUDITOR (*continued*) (IDB.27/5 and Add.1; IDB.27/CRP.2)

21. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

22. *It was so decided.*

PROGRAMME AND BUDGETS, 2004-2005 (*continued*) (IDB.27/3; IDB.27/L.6)

23. **The PRESIDENT** drew attention to draft decision IDB.27/L.6.

24. *The draft decision was adopted.*

IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (*continued*) (IDB.27/17; IDB.27/CRP.6 and CRP.8; IDB.27/L.12)

25. **The PRESIDENT** drew attention to draft decision IDB.27/L.12, entitled "Strengthening industrial capacities".

26. *The draft decision was adopted.*

(a) UPDATE ON PREPARATIONS FOR THE BIOTECHNOLOGY FORUM (*continued*) (IDB.27/15; IDB.27/CRP.10)

27. **The PRESIDENT** suggested that consideration of the item should be deferred pending the availability of the text of the relevant draft decision.

28. *It was so decided.*

(b) FIELD REPRESENTATION (*continued*) (IDB.27/21; IDB.27/CRP.9)

29. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

30. *It was so decided.*

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.27/14; IDB.27/CRP.8; IDB.27/L.11)

31. **The PRESIDENT** drew attention to draft decision IDB.27/L.11, entitled "Support to the least developed countries".

32. *The draft decision was adopted.*

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (*continued*) (IDB.27/22)

33. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

34. *It was so decided.*

ACTIVITIES OF THE JOINT INSPECTION UNIT (*continued*) (IDB.27/19 and Add.1 and 2; IDB.27/CRP.3)

35. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

36. *It was so decided.*

PERSONNEL MATTERS (*continued*) (IDB.27/2 and IDB.27/16; IDB.27/CRP.4; IDB.27/L.7)

37. **The PRESIDENT** drew attention to draft decision IDB.27/L.7.

38. *The draft decision was adopted.*

CONSULTATIONS WITH NON-MEMBER STATES (*continued*) (IDB.27/20)

39. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

40. *It was so decided.*

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (*continued*) (IDB.27/18; IDB.27/L.8)

41. **The PRESIDENT** drew attention to draft decision IDB.27/L.8, entitled "Application from a non-governmental organization for consultative status".

42. *The draft decision was adopted.*

The meeting was suspended at 3.35 p.m. and resumed at 4.25 p.m.

IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (*continued*)

(a) UPDATE ON PREPARATIONS FOR THE BIOTECHNOLOGY FORUM (*continued*)
(IDB.27/15; IDB.27/CRP.10; IDB.27/L.13;)

43. **The PRESIDENT** drew attention to draft decision IDB.27/L.13.

44. **Mr. STELZER** (Austria) suggested that a new preambular paragraph on the following lines should be added after (f): "Takes note with appreciation of the presentation by Chile, host of the Global Biotechnology Forum, on its national preparations towards the successful implementation of the Forum."

45. *It was so decided.*

46. *The draft decision, as amended, was adopted.*

PREPARATIONS FOR THE TENTH SESSION OF THE GENERAL CONFERENCE (*continued*)
(IDB.27/13; IDB.27/L.9)

47. **The PRESIDENT**, after thanking the Government of Colombia for its kind offer to host a future session of the General Conference at Cartagena, Colombia, drew attention to draft decision IDB.27/L.9.

48. *The draft decision was adopted.*

PROVISIONAL AGENDA AND DATE OF THE TWENTY-EIGHTH SESSION (*continued*)
(IDB. 27/CRP 5; IDB. 27/L.10)

49. **The PRESIDENT** drew attention to draft decision IDB.27/L.10.

50. *The draft decision was adopted.*

ADOPTION OF THE REPORT (IDB.27/L.1)

51. **Mr. POPTCHEV** (Bulgaria), Rapporteur, introducing document IDB.27/L.1, said that it represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session, including the decisions that had just been adopted.

52. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

53. *It was so decided.*

CLOSURE OF THE SESSION

54. **Mr. MAGARIÑOS** (Director-General) thanked all participants for the spirit of cooperation they had demonstrated, which had resulted in a very productive session. Some of the matters raised in the course of the deliberations required immediate attention from the Secretariat. The mobilization of funds was an important issue and he hoped that the informal consultative group he had set up would help to increase the membership of UNIDO and the resources available to the Organization. Mention had been made of the Human Security Fund, which had huge potential, as illustrated by the large programme approved for the Sudan and the programme under consideration for Bangladesh, and the Secretariat would carry out an evaluation to see how UNIDO could further its contribution to human security. As requested, the challenges and objectives for the Millennium would be included in the medium-term programme framework and a document prepared to provide an overview of those objectives in the context of UNIDO's activities. The Secretariat would be reviewing the integrated programmes in Africa and assessing the impact of the new initiatives launched. It would also be preparing a document on technical cooperation projects in Latin America and would hold discussions on the best way to increase the funds earmarked for the region.

55. It was essential that matters relating to development should be discussed thoroughly and in an open fashion, and he appreciated the time that delegations had been prepared to devote to informal discussions during the lunch hours. In order to respond to the growing concern of Member States to become more familiar with UNIDO's activities, a series of briefings and meetings on substantive items would be organized for delegations in the months leading up to the General Conference session. Discussions on the substantive focus of UNIDO would also be held with Member States and staff on the basis of a paper that had been prepared on UNIDO's corporate strategy and circulated during the twenty-seventh session of the Board. That paper had been developed over several months and would have a practical impact on the design of technical cooperation activities.

56. **The PRESIDENT**, after thanking the participants for their support and cooperation, declared the twenty-seventh session of the Industrial Development Board closed.

The meeting rose at 4.40 p.m.